Austria	Sch26	Indonesia	Rp3100	Philippines	Peso40
Bahrain	Din0.700	Iran	Rls210	Portugal	Esc150
Belgium	BFr65	Israel	Shk3.50	Qatar	QR8.50
Cyprus	C£0.90	Italy	L2000	S.Arabia	SR7.00
Denmark	DKr12.00	Jordan	Fils1000	Singapore	S$4.10
Egypt	E£3.25	Kuwait	Fils.500	Spain	Pta165
Finland	FM8.50	Lebanon	L£600.00	Sweden	SKr12
France	FFr7.50	Lux	LFr55	Switz	SFr2.50
Germany	DM2.60	Malaysia	Rlo4.25	Thailand	Bht30
Greece	Dr150	Morocco	Dh6.00	Tunisia	Din0.800
Hong Kong	HK$12	Neth	Fl3.25	Turkey	L1400
Hungary	Ft107	Nigeria	Naira10	UAE	Dh7.00
Iceland	IKr100	Norway	NKr12.00		
India	Rs15	Oman	OR1		

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

No.31,098 • THE FINANCIAL TIMES LIMITED 1990

Wednesday March 14 1990

D 8523A

NICARAGUA

Some battles have just begun

Page 7

World News

Bush lifts economic embargo on Nicaragua

President George Bush lifted the economic embargo against Nicaragua and asked Congress for $300m to help the new government recover from years of hardship. Page 18

Mandela's appeal

South African nationalist leader Nelson Mandela called in Stockholm for an intensification of sanctions and the ending of diplomatic ties with Pretoria. Page 2

Monetary union aim

European Community states should aim for total monetary union with a single currency but avoid binding policy rules, according to a paper discussed in the European Commission. Page 18

Kashmir warning

India's Prime Minister V.P. Singh warned Pakistan against interfering in Kashmir, pointing out that India was "able and willing" to use military means. Page 4

Warsaw Pact threat

Hungary's front-running opposition party said it would ask parliament to annul the country's Warsaw Pact membership after free elections.

Dublin refusal

Anglo-Irish relations seem certain to be a hit by an Irish Supreme Court refusal to extradite two IRA men who escaped from a Northern Ireland prison. Page 18

Cuban arms banned

Brazil said it returned to Havana a planeload of arms that arrived ahead of a visit by Cuban leader Fidel Castro.

Salvador rebel offer

Left-wing Salvadorean rebels are actively pursuing a negotiated settlement through the United Nations, the group said. Page 6

Iraqi response

Iraqi President Saddam Hussein will not intervene while under political and media pressure to reduce the death sentence on British-based journalist Farzad Bazoft for spying, *the Iraqi news agency INA* reported. Page 5

Florence protest

Socialist mayor Giorgio Morales and his coalition council resigned following criticism after a series of racist attacks on North African immigrants. Page 2

Van Gogh theft

A Van Gogh oil painting, "Wheatfield with Sheaves", worth about $1.7m, was stolen *from a Zurich customs depot.*

Papandreou target

Greek Socialist Party leader Andreas Papandreou said he would seek communist support in the April 8 general election, the third in 10 months. Heading for stalemate, Page 3

Bougainville crisis

The South Pacific island of Bougainville, whose large, Australian-run copper and gold mine has been closed since *May, was in rebel hands after* Papua New Guinea troops withdrew. Page 4

12 lost in air crash

Twelve people were feared killed when a helicopter ferrying international airline passengers crashed in the sea off the Sierra Leone capital of Freetown.

Vatican ruling

Men and women studying to be priests or nuns should not be allowed to take their final vows if they cannot control sexual urges, the Vatican said.

Smoke-free zone

Cigarette advertisements could disappear in the 12-nation European Community if the *European Parliament wins* a battle to impose a stricter ban than the Commission proposes.

Business Summary

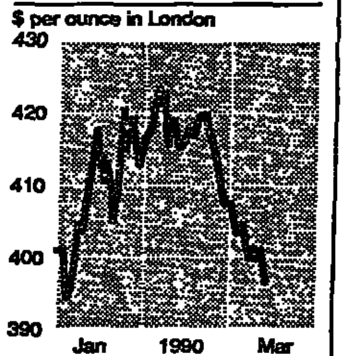
UK suffers deficit on invisibles in last quarter

Britain's traditional surplus in invisible trade turned into a £713m ($1.14bn) seasonally adjusted deficit in the final quarter of last year, cutting the invisible surplus to £2.26bn for the year from £5.8bn in 1988.

The third quarter surplus was revised down to £51m from a previously reported £204m. Page 18

MARKETS: Gold prices retreated well below the psychologically important $400-a-troy-ounce level, principally in response to the strong performance of the dollar. Commodities, Page 30. The mood was brighter in the Continent and volume improved in Frankfurt and Paris, although trading remained thin in most other bourses. Back page, section II

Gold price



JAPAN'S trade surplus totalled $5bn *last month, compared* with $7.23bn in February 1989. This was the 10th monthly decline in a row. Page 4

EUROPEAN Community states should aim for a total monetary union with a single currency but without any binding, centrally imposed rules on their economic and fiscal policies, says a paper discussed *in the EC.* Page 18

HUNGARY'S lack of an effective government is exacerbating the country's economic crisis, senior officials in Budapest warned. Page 2

SOUTH Korean economy will start to recover from a prolonged slowdown in the second quarter of the year, according to the state Korea Development Bank. Page 4

INTEREST rates: Higher Japanese interest rates would not necessarily mean higher rates in the US, said John Laware, a Federal Reserve governor. Page 6

ITALTEL Telematica, subsidiary of Italy's state-owned telecommunications equipment maker, has reached agreement with Matsushita, Japanese electronics group, to produce a range of facsimile machines under licence. Page 5

HYUNDAI, one of South Korea's largest business groups, is to share in building a $5bn petrochemical project in the Soviet Union. Page 5

US retail sales, which rose strongly in December and January, relapsed by nearly a full percentage point in February in seasonally adjusted terms, says the Commerce Department. Page 6

GRAND Metropolitan and Elders IXL, Australian owner of the UK Courage breweries, unveiled details of a complex exchange of assets and the creation of a joint venture to manage their combined tenanted pub interests. Page 19

AKER, Norway's biggest privately owned industrial group, said it had disposed of assets related to the offshore oil sector for NKr360m ($54.6m), making a profit on the deal of more than NKr80m. Page 20

ALUSUISSE-LONZA Holding, Swiss aluminium and chemicals concern, boosted net profits *by 47 per cent last year* from SFr217m ($142.5m) to SFr466m. Page 20

REFORM WILL CREATE NEW PRESIDENCY AND END THE COMMUNIST PARTY MONOPOLY ON POWER

Gorbachev's twin victory

By Quentin Peel in Moscow

MR MIKHAIL GORBACHEV, the Soviet leader, yesterday won the resounding endorsement he needed to rewrite the Soviet constitution, creating a new executive presidency and abolishing the Communist Party's monopoly on Soviet power.

His twin victory opens the way for the immediate introduction of a multi-party system and a presidency *independent* of the Communist Party, which has dictated national life for the past 72 years.

At the same time, new laws on prop*erty and land have been incorporated* in the constitution, allowing private property and ending the state monopoly on ownership, although still forbidding the buying and selling of land.

Mr Gorbachev won a clear two-thirds majority in the Congress of People's Deputies – the nation's new super-parliament – for all the measures, but only after making substantial concessions to radicals to balance presidential power with parliamentary controls.

The vote was greeted with spontaneous applause, but the Soviet leader could not see it himself on the electronic scoreboard. When he was told, he said: "Thank you. I congratulate the Congress." The move clears the way for Mr Gorbachev himself to take on the presidency, with sweeping powers to declare a state of emergency, initiate legislation and veto laws from the Supreme Soviet.

The first move which leading economists hope he will take is to accelerate economic reform, with rapid introduction of long-delayed price liberalisation and radical action to dismantle state industrial monopolies.

There is still a chance that he will be *blocked today from immediate* election by the Congress, with supporters of radical reform demanding that a direct presidential election be held throughout the country.

A conservative group of deputies, Soyuz (Union), proposed Mr Nikolai Ryzhkov, the Prime Minister, and Mr Vadim Bakatin, the Interior Minister, as alternative candidates but neither is thought likely to allow his name to go forward.

The key change in the institution of the presidency is that it transfers power in the Soviet Union from the Communist Party itself to an elected head of state, spelling an end to party power. That was recognised in the ease with which the Communist-dominated Congress – some 85 per cent of its deputies are party members – cancelled Articles 6 and 7 of the constitution, which had enshrined its monopoly rule.

An attempt to remove all reference to the Communist Party from the constitution won a majority of votes in the Congress – 1,067 to 906 – but fell short of the two-thirds (1,497 votes) needed to change the constitution. Another radical move, to bar the president from holding any Communist Party post, also won a majority – 1,303 to 607 – but too small to become mandatory.

The two-thirds majority needed for *the whole package of constitutional* reforms was in doubt until the last minute, when the concessions on the presidency were spelt out. They mean that *the future Soviet president will be able* to veto legislation, but can be overruled by a two-thirds vote in each chamber of the bicameral Supreme Soviet. He will no longer have a right of appeal to the Congress of Deputies.

On declaring a state of emergency, the president can do so with the consent of the republic or republics affected. If that proves impossible he must issue a warning that such a move is being considered.

In an important concession to the republics, it was agreed that the president can only declare a state of emergency without their consent if he immediately summons the national Supreme Soviet and has the move endorsed by a two-thirds majority.

As for presidential rule by decree, Mr Gorbachev has agreed that this can only be done on the basis of existing laws, and must be consistent with the constitution.

The presidency was approved in principle by 1,817 votes to 133, with 61 *abstentions, while the full package of* constitutional reforms went through by 1,771 votes to 164, with 74 abstentions.

The changes in property and land clauses of the constitution, which would allow foreign property and "individual" ownership, aroused no controversy, although economists have criticised the continuing ideological objections to "private property." Farm land can be bequeathed, but not sold.

Lithuanian move "illegal," Page 18

Israeli government collapses after peace process row

By Hugh Carnegy in Jerusalem

ISRAEL's coalition Government collapsed yesterday when sharp differences between the Likud and Labour parties over US proposals for Israeli-Palestinian peace talks finally came to a head.

Mr Yitzhak Shamir, Prime Minister and leader of Likud, ended days of speculation over the future of the coalition when he told a Cabinet meeting he was dismissing Mr Shimon Peres, the Finance Minister, vice-premier and Labour *leader. The 11 other Labour* ministers in the Government then resigned, ending 15 months of often fraught partnership.

Last night the two sides were engaged in intense activity to secure support from the religious parties, which hold the balance of power, ahead of a parliamentary test likely to determine if either main party can quickly form a narrowly-based government. The test will come in no-confidence *motions set for tomorrow, or* possibly today.

The split was precipitated by Likud's refusal to accept a proposal *by Mr James Baker,* US Secretary of State, that Israeli and Palestinian delegations meet in Cairo to discuss holding elections in the West Bank and Gaza Strip which are intended to lead to an interim settlement in the Occupied Territories.

Labour insisted that Likud accept Mr Baker's terms as they stood, but Mr Shamir held out for further assurances that *the Palestine Liberation Organ*isation and Arab residents of Jerusalem would play no part in the process. Labour was pre*paring to bring down the coali*tion later this week if Mr Shamir did not budge when the Prime Minister decided to act.

His position hardened in recent days following statements by Mr George Bush, the US President, and Mr Baker, underlining US rejection of Israeli annexation and settlement of Arab areas of Jerusalem as well as the occupation of the West Bank and Gaza.

Yesterday Mr Bush told a news conference in Washington he had no regrets over his remarks.

Mr Shamir repeatedly stressed this week that Washington's involvement of the PLO in the peace efforts and its position on Jerusalem were unacceptable.

Mr Shamir took the initiative yesterday to try to preempt Labour in the ensuing highly complex struggle for power. This may well take some time to resolve.

Mr Shamir *continued* to hold *out the possibility yesterday of* a revival of the coalition, but privately he is seeking to continue in office at the head of *Likud-led* narrow government of the right.

Mr Peres is seeking the support of otherwise ideologically-alien, religious party members to establish a Labour-led administration which could pursue the peace talks proposal.

All depends on the acutely balanced mathematics of the *Knesset. In the 120-seat* parliament, Mr Shamir can count on at least 56 votes, including 40 from Likud. Mr Peres can probably be sure of 54, including 39 Labour members. The fight is over the remaining 10, most of them from the religious parties.

If neither side can secure a majority, then a general election may be the outcome – although some seasoned observers have refused to rule out absolutely a Likud-Labour rapprochement.

● Palestinian leader Salah Khalaf said he expected Israel to move to the right after the break-up of its government.

"Israel will move towards the hardest solution, the hardest choice and the choice of war," Mr Khalaf, a leading member of PLO chairman Yasser Arafat's Fatah guerrilla movement, widely known as Abu Iyad, said in an interview with Swiss Radio. "It will not be content to reject the peace *process but will go back to* thinking of . . . annexing the West Bank." He said Prime Minister Yitzhak Shamir could hang on to power.

● Arab commentators were pessimistic over the future of the peace talks after the collapse. "This is a great setback for the peace process and I believe Israel has killed its own peace plan," said Bethlehem's Palestinian Mayor Elias Freij.

Background, Page 4; Editorial comment, Page 16

Shimon Peres (left), who was sacked as Israel's Deputy Prime Minister yesterday, with fellow Labour Party member Yitzhak Rabin, *who resigned as Defence Minister*

DG bank vice chairman quits over bond transactions row

By Katharine Campbell in Frankfurt

THE DG Bank row involving disputed bond transactions with nine French banks claimed its first board member *victim yesterday with the res*ignation of the vice chairman and director in charge of securities business at the Frankfurt *bank.*

Mr Karl-Herbert Schneider-Gädicke, 58, vice chairman and director in charge of securities business, said he was assuming "political responsibility" for the disputed securities trades and was resigning immediately as his contribution to limiting further damage of the bank's reputation.

Mr Schneider-Gädicke has served on the board for 18 years, since 1986 as one of two vice chairmen. His departure *underlines the extent to which* the bank's image has already suffered, even if recriminations go no further.

*Deutsche Genossen*schaftsbank, the umbrella organisation for West Germany's co-operative banks, has been embroiled in a dispute with nine French banks over some DM6bn ($3.5bn) worth of bond transactions.

While the French say that DG undertook to repurchase the securities - now worth con*siderably less because of the* sharp drop in the German bond market - DG has maintained that the trader who entered *into these agreements only did* so orally and was, in addition, acting outside his authority, effectively making any undertakings invalid.

After the French threatened to sue, DG last week squared the position, while leaving the way open for possible compensation within the next twelve months.

Mr Schneider-Gädicke stressed yesterday that he neither "knew, nor could have known" about the alleged *repurchase agreements at the* centre of the dispute.

This refers to the oral nature of the agreements entered into by the now dismissed chief bond trader, Mr Friedrich Steil. The lack of written evidence is precisely the grounds on which the bank is contesting the French claims.

While the exact details of the dispute remain distinctly murky, the whole affair has thrown up basic questions as to the quality of internal con*trols at DG.*

The securities trading arm has grown rapidly in the past few years, as the bank has *expanded its profile domesti*cally and internationally.

Two of the major participants in that expansion have now gone.

Mr Helmut Guthardt, DG Bank chairman, said in a recent magazine interview that there was no question of his resignation while the full truth of what really happened was *not yet available.*

Last week the bank settled the disputed deals, while at the same time retaining its legal rights for compensation over the next year.

Mr Steil, meanwhile, who is the subject of a criminal investigation, is contesting his dismissal from DG in court. Investigated at the end of the 1970s in an equity-related scandal, he was dismissed by the bank, but reinstated after the case against him was dropped.

Payment problems threaten contracts with Soviets

By David Goodhart in Leipzig

SEVERAL major contracts between the Soviet Union and West German companies are threatened by growing payment difficulties for Moscow.

According to bankers and industrialists at the Leipzig Fair in East Germany the situation has become far more severe in the past few weeks.

Among the major contracts that have been postponed, and *may be cancelled,* is last year's agreement with Siemens to import up to 300,000 personal micro-computers from the West German electronics group.

An official of Robotron, the East German equivalent to Siemens, said that his company might benefit from the collapse of the deal.

Also in doubt is the Soviet plan to buy several digital switching systems from Siemens.

It is not only West German companies that are threatened by the payments problem. Last week Mr Nicholas Ridley, the *UK Industry Minister,* said he would be raising payments problems during an official trade visit to the Soviet Union.

● In other developments at Leipzig it was announced, by the Post Ministers of the two German states in Leipzig that the digital mobile phone network currently being built in West Germany would be *extended* to East Germany.

Mr Klaus Wolf, the East German Post Minister, said that DM5bn ($2.94bn) would be required to modernise the East German telecommunications network over the next five years.

In that time the number of lines is expected to double from the current 1.1m.

Thyssen, the Düsseldorf steel and investment based goods group, has announced the first three of its planned 30 *co-operation agreements* in East Germany.

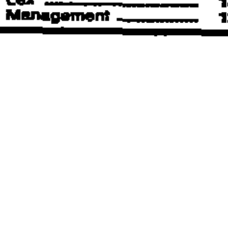
The deals are in environmental protection and railway technology. *In one of the projects* it will be co-operating with the French group, Lyonnaise des Eaux.

Thyssen's main hope is *that the opening of East Germany* will breathe new life into its controversial plans to build a high speed magnetically propelled rail system in Germany.

Mr Lutz Dressbach, Thyssen's spokesman, revealed that a hitherto secret study on a Hanover-Berlin magnetic rail link was being re-examined.

CONTENTS

State of mind of Mr Hawke's intelligent Australian voter



Bob Hawke is seeking his fourth term as Prime Minister. Whether he is re-elected is likely to depend, in part, on the *influence of state* issues.
Page 4

MARKETS

STERLING
New York : close
$1.60115 (1.6115)
London:
$1.6005 (1.611)
DM2.7475 (2.755)
FFr9.2900 (9.315)
SFr2.4450 (2.4525)
Y244 (245.5)
£ index 86.2 (86.3)

GOLD
New York: Comex Apr
$400.7 (401.1)
London:
$396.25 (401)

N SEA OIL (Argus)
Brent 15-day Apr
$18.65 (18.525)

Chief price changes yesterday: Page 19

DOLLAR
New York close
DM1.7178 (1.7137)
FFr5.8070 (5.7925)
SFr1.5275 (1.5265)
Y152.45 (152.675)
London:
DM1.716 (1.71)
FFr5,805 (5.7825)
SFr1,5275 (1.5235)
Y152.5 (152.35)
$ index 68.8 (68.5)
Tokyo close: Y152.67

US closing rates
Fed Funds $8\frac{1}{4}$% ($8\frac{1}{4}$)
3-mo Treasury Bills:
yield: 8.24% (8.23)
Long Bond:
$97\frac{7}{8}$ ($98\frac{23}{32}$)
yield: 8.69% (8.61)

STOCK INDICES
FT-SE 100:
2,224.5 (+1.7)
FT Ordinary:
1,755.6 (+3.8)
FT-A All-Share:
1,106.27 (+0.1%)
New York close
DJ Ind. Av.
2,673.87 (−12.84)
S&P Comp
336.14 (−2.53)
Tokyo: Nikkei
32,620.57 (−747.66)

LONDON MONEY
3-month interbank:
closing $15\frac{3}{8}$% (same)
Liffe long gilt future:
June $81\frac{11}{16}$ ($82\frac{1}{16}$)

EUROPEAN NEWS

Finnish call for review of treaty with Moscow

By Enrique Tessieri in Helsinki

MR KALEVI SORSA, the Social Democratic Speaker of the Finnish parliament, has become the first high-ranking politician to suggest willingness to change the 41-year-old treaty with the Soviet Union.

The veteran politician, who is expected to be Finland's next president, said alterations to the Friendship Co-operation and Mutual Assistance (FCMA) would be possible only if both Finland and the Soviet Union considered it appropriate.

A key article in the treaty says that both Finland and the Soviet Union must come to each other's military rescue if attacked "by Germany or any state allied with the latter."

The treaty is considered to be a pillar for friendly relations between both countries, as well as an obstacle for Finland's full political integration with western Europe.

Mr Sorsa said in a newspaper interview: "The USSR and West Germany are opening up to wider co-operation between each other.

For this reason, since the creation of the FCMA centres *on an armed attack from Germany*, one asks for how long this will continue to be a central factor."

The veteran Social Democrat politician also felt that for the FCMA to continue to have validity, the treaty would have to be able to stay abreast of the political events presently overtaking Europe, especially when the reunification of the two Germanies come to mind.

"Otherwise it (the contents within the FCMA) will turn into litany," he said. But he felt that there was no rush in changing the contents for the time being.

Debate on the antiquated FCMA treaty picked up last month when Dr Raito Penttilä, a researcher in international relations, suggested that the FCMA should be replaced by a new accord, which would stipulate that Finland would defend itself from all outside aggression.

Dr Penttilä also said that most likely Finland would be the only country in Europe in the next century that would continue to have a treaty with the Soviet Union that was straight from the cold-war era. Finland and the Soviet Union renewed the FCMA treaty in 1983 for a further 20 years.

Hungarian economy 'out of control'

By John Lloyd, Judy Dempsey and Nicholas Denton in Budapest

THE LACK of an effective government in Hungary is exacerbating the country's economic crisis, senior officials in Budapest are warning.

The hiatus in government has occurred in the run-up to the country's first free election for over 40 years, in 11 days' time, and it may last for months before a central authority can be reconstituted.

Mr Lajos Bokros, a board member of the National Bank of Hungary, says that "there is no longer any control over the management of the economy. If we want to meet our obligations to the International Monetary Fund, decisions must be taken."

Dr Laszlo Antal, an economic adviser to the Government, said: "The party-state system has disintegrated. There is no mass basis for the Government and it is itself divided, therefore it is not decisive."

Mr Antal said the Government had backed away from hard economic decisions – especially on allowing loss-making enterprises to go bankrupt, and on cutting subsidies. According to both Dr Antal and Mr Bokros, this has meant a huge growth in inter-company indebtedness amounting to Forints 130bn ($2bn), as enterprises simply write promissory notes which are then used as currency.

This government paralysis has coincided with a rapid worsening of trade with the Soviet Union, Hungary's main trading partner.

The Government expects to learn today whether it will receive a stand-by credit of between $300m-$500m from the IMF – a decision which would in turn release a further $1bn loan from the European Community.

However, a decision by the Government to cut subsidies to mortgage owners, demanded by the IMF, may also today be set aside by the Constitutional Court, precipitating an economic crisis if the IMF withholds payment.

Meanwhile, there is disagreement over privatisation between the major parties, which may make the formation of a coalition difficult.

The disagreement, mainly between the Free Democrats and the Democratic Forum, focuses on whether the privatisation process should be controlled or pushed through quickly to achieve a market system as rapidly as possible.

Mr Peter Bod, economic adviser to the Forum, said that the government's "irresponsible" privatisation, allowing managers to sell or take over state assets, had to be replaced by controlled privatisation through the State Property Institute. This body will hold the legal title of state assets and arrange for their privatisation.

But Mr Karoly Soos, an adviser to the Free Democrats, a parliamentary candidate and a possible contender for the post of Economics Minister, asked: "Can the government get a better deal than spontaneous privatisation? Of course there will be some corruption in this, but you cannot stop it however you do it. The main thing is, it must be done quickly." I would take the economic ministry if we had agreement on measures which were hard and necessary" he says he would push for an austerity programme to be unveiled on January 1 1991 – "that would include a cut in all subsidies, then after that, the Government could decide who needed assistance."

Mandela wants more pressure on S Africa

By Robert Taylor in Stockholm

MR NELSON MANDELA called for an intensification of sanctions against South Africa and a break of diplomatic ties with the country yesterday during his visit to Sweden.

The 71-year-old leader of the African National Congress told a news conference that "nothing" had yet changed in South Africa, adding that "all the pillars of the apartheid system are still in place".

He did not elaborate on his call for a break in diplomatic relations with the country.

In a speech to the Swedish Parliament, however, he declared that he wanted to see a "political solution through negotiations" in South Africa but added how quickly that could come about depended on the white regime there. "I have a vision of South Africa as a united, democratic country which has no discrimination, no racism and is not involved in any military alliances."

He said it would be up to the ANC's executive to decide whether or nor he should meet the Mrs Margaret Thatcher, the UK Prime Minister in Britain next month.

In other replies, Mr Mandela displayed a diplomatic finesse in giving nothing away. While he refused to comment on the influence on the ANC of the South African Communist party saying there "should be no indulging in witch-hunts," he emphasised his continuing support for the nationalisation of industry in an ANC South Africa as laid down in its 1955 freedom charter.

"Political rights are meaningless if there is no economic empowerment of the people," Mr Mandela said. "Economic liberation must go hand in hand with political liberation. Wealth has to be shared equally among citizens and nationalisation is a method to rectify economic imbalances."

Mr Mandela claimed that three quarters of the white voters in South Africa were "ready for change". He added that the ANC today was "in a position of unprecedented strength" in South Africa.

African street sellers in Florence are threatened by men armed with a chain and an iron bar

Mayor of Florence resigns as row over immigration flares

By John Wyles in Rome

MR Giorgio Morales yesterday became the first victim of racial politics in Italy when he resigned as mayor of Florence after three weeks of rising controversy over immigrants.

His downfall, and that of his entire administration, was provoked by the Communist Party which, with the Social Democrats, was a coalition partner in the city government. The Communists decided on Monday to table a vote of no-confidence in the mayor after a task force of more than 200 police had occupied the city centre.

They had been sent in by the chief of the Italian police force, Mr Vincenza Parisi, to clear out unlicensed street hawkers, mostly Somalis and Senegalese, and to enforce the new immigration law recently passed by parliament. This requires the estimated 700,000 to 900,000 illegal immigrants in Italy to register with the authorities by the end of April or face expulsion.

The extraordinary police crackdown follows three weeks of growing tensions in Florence which began with an attack during carnival celebrations on three north Africans by a gang of Italian youths. This was followed by the distribution of inflammatory racist leaflets bearing Nazi insignia and other attacks on immigrants, of whom there may be around 10,000 in Florence.

Initially, Mr Morales tended to play down the significance of these phenomena and then seemed to over-react to newspaper headlines depicting his city as a pit of racial antipathies.

The Communist move against him was done with more than half an eye on local government elections in May. In breathtaking displays of opportunism, both the local Socialist and Liberal parties have this week included immigrants on their lists of candidates for these elections.

German monetary experts meet to head off chaos

EAST AND WEST German monetary experts met yesterday to discuss merging the two countries' currencies in an effort to prevent economic chaos in the process of unification, agencies report from East Berlin.

The two sides met for the last round of talks before East Germany's elections next Sunday. Mr Horst Koehler, a state secretary in West Germany's Finance Ministry, and finance expert Walter Romberg, a minister in the caretaker government of Communist Premier Hans Modrow, headed the talks.

The two sides have met twice before, in Bonn and East Berlin, to discuss forming a monetary union, but no decisons on the move are expected to be finalized until after the East German elections.

In East Berlin, five days before East Germany's first free election, West German Chancellor Helmut Kohl promised East Germans a one-for-one swap of their personal savings into powerful deutschmarks.

Mr Helmut Haussmann, the West German Economics Minister, also said yesterday that his country favoured a one-for-one exchange rate for East German savings when the two Germanys forge currency union.

"We believe that we can't make the East German people worse off with their savings. This means a one-for-one conversion," he said at the Leipzig trade fair.

Mr Haussmann declined to say when the currency union, under discussion by an inter-German commission in East Berlin on Tuesday, might be achieved. East Germany's state bank had insisted on a one-for-one exchange rate between the East and West German marks.

Mr Haussmann's remark, the first confirmation that Bonn would back a one-for-one exchange rate, is certain to be welcomed by East Germans who had feared their savings could be wiped out by a rate closer to the black market exchange rate of about four-to-one.

According to official estimates, there is about 170bn East German Marks ($100bn) in private accounts in the country. Haussmann did not specify whether a proportion of individuals' savings might be frozen for a time.

The East German minister without portfolio, Mr Walter Romberg, told journalists before yesterday's third meeting of the inter-German commission on economic union that he expected an interim report would be ready by the end of the day.

"We have carried out good preparatory work so that the newly elected government can take very concrete steps in the very near future," said Romberg, head of the East German delegation.

Party leader Ibrahim Boehme has said he wants the West German Mark introduced by July 1 to stop currency speculation undermining the East German economy.

Mr Lothar de Maiziere, head of the Christian Democrats (CDU) - one of three parties in a conservative alliance which the polls put close behind the SPD - said currency union would come rapidly.

East Germany's ex-communist Prime Minister Hans Modrow told voters they would have to fight to keep their right to housing, health care and jobs if free-marketeers won on March 18, and a strong left was the best weapon.

Helping East Germany up from its knees

Restoring exhausted infrastructure is a generation's work, writes Katharine Campbell

SURFACING at Stadtmitte U-Bahn station in East Berlin, one is confronted with the ghost of a town centre. On two of the street corners are deserted building sites, and in front of the opulent boutiques on the other two is an unpaved walkway.

On the skyline, rows of dreary apartment blocks, dilapidated after just a year or two, crowd in on the attempts to revitalise the museum of spent socialism.

And yet, as an East Berlin *resident rightly remarks, this* is "gold" compared with the rest of the country.

Restoring the exhausted infrastructure of East Germany is the work of a generation – to be fitted into the space of five years or less. The chance is there to rebuild with the latest technology; to privatise more speedily than the west.

But the imperative to create an environment where business can be done could lead to an unorderly development and major dislocations over the near term.

Estimates of the cost – in ever increasing round hundreds of billions of D-Marks – are so divergent as to be practically meaningless.

Figures of DM2,000bn ($1,176bn) doing the rounds among London dealers caused West German bond prices to plunge until more sober reassessments restored some calm to the market.

Bonn and regional governments have already embarked on some pilot projects, but the bulk of funds must come from private western capital.

Mr Erwin Rohde, an economist at Humboldt university in East Berlin thinks a home grown solution could achieve some benefits.

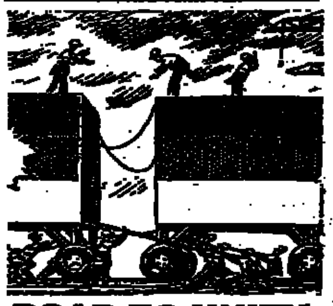
His proposed infrastructure fund would channel resources from sales of East German enterprises directly into rescuing the crumbling health care system, rebuilding the railways and so on.

One basic task among many is to restore living conditions – the government in West Berlin, for instance, has been quick to see that spending money on shoring up accommodation in the east is more sensible than trying to accommodate floods of East Berliners crossing the border.

The previous East German regime may have erected 2m new housing units in the last 20 years, but this was achieved by building ranks of skyscrapers on the edges of conurbations – neglecting the rotting and polluted town centres, passing over the scars of war damage.

The materials available were so poor that even the new blocks began decaying almost immediately.

The two German governments have now begun a high profile project to restore five particularly dilapidated, but strategically and culturally important towns, including Weimar and Brandenburg.



ROAD TO UNITY

The reintroduction of market realities will be a political nightmare. Horrified by the rush of West Germans claiming title to land they inhabited before the war, East Germans are even more anxious about massive rent increases. They currently pay about 90 pfennigs per square metre a month, representing less than 5 per cent of their salaries.

Nor has anyone yet come to grips with the planning dimension; citizens are rightly critical of the soulless perfection of many rebuilt West German cities; they fear too the devastation of unspoilt northern coastline by hasty tourist developments.

If their housing conditions are poor, the East German workplace is considerably worse. Capital stock is supposed to have grown about 3.5 per cent in the last four years, but the evidence is not there. Outmoded processes contribute to productivity somewhere below half that of the west.

A freer press is now revealing just how prevalent industrial accidents are. The only biological water purification plant in the country (at a chemical works) monitors its effectiveness with guppies: if the fish are alive after 24 hours, the water is deemed pure.

Many operations will simply have to be closed, as the crippling old imperative of self-sufficiency disappears. Factories set up simply to employ the wives (98 per cent of East German women work) of, say, steelworkers, will not survive.

Compared with other countries in the Comecon trading bloc, East German workers are well-trained – but clearly not in up-to-date techniques. Still, as Mr Norbert Walter of Deutsche Bank points out, the number of apprentices in the west has fallen dramatically with the drop in the birth rate leaving spare capacity for retraining East German workers.

Meanwhile, the emergence of East Germany – and the rest of the east bloc – completely reshapes the map in transport terms. Berlin will regain its former geographic importance, but only at vast cost. At present, only a third of the Reichsbahn is electrified, and limps along, unpunctually, at a fraction of the speed of its western counterpart.

In environmental terms, however, the railway is preferable to the roads. The two railways have set up a working party to discuss creating a single system. Before then, high speed links between major cities east and west are slated for early this summer.

A new airport is urgently needed – Tegel, in the centre of West Berlin, cannot be expanded much further. Locations south of Berlin are being explored, but it will take a minimum of 10 years before anything is operational.

Nor is the telephone currently a solution for bridging distances. The deliberate isolation of the country has meant it is almost impossible to call East Berlin from just across the border. Internally, connections are between atrocious and non-existent; faxes are virtually unknown.

But telecommunications is one area where the country can modernise relatively quickly.

Siemens and Standard Elektrik Lorenz are falling over themselves to compete for contracts to develop digital switching equipment. Mobile telephones are likely to be in wider use quickly.

Other utilities fall well below western standards. Both the electricity and water systems need total overhaul.

Companies in the midst of the "gold rush" east are well aware of the irony that investments (including those in the basic amenities themselves) are only profitable if the infrastructure can support the new ventures.

E German calls for state group bail out

INDEBTED East German state companies will have to be bailed out so they can start with a clean balance sheet after German unification, the head of East Germany's leading electronics group said yesterday, Reuter reports from Leipzig.

"My idea is that with a revaluation of the economy the debt burden is set at zero," Friedrich Wokurka, chief executive of Dresden-based Robotron, said in an interview at the international Leipzig Trade Fair.

Robotron, which makes typewriters, personal and mainframe computers and other electronic hardware, will transform itself on July 1 into a holding company with its 21 subsidiaries as limited liability companies.

West German officials say that rapid currency parity could bankrupt East German companies and cause mass unemployment. "The alternative is to switch to zero debts and to build up state revenues from scratch," Wokurka said.

The companies, yet to adopt western accounting standards, were previously provided credits by East Germany's state banks.

Western banks, keen to lend to East German companies for the first time, say it is impossible to judge the companies' creditworthiness.

EUROPEAN NEWS

Greece heads for another election stalemate

By Kerin Hope in Athens

GREECE'S third election campaign in 10 months has kicked off in unusually subdued style with the three party leaders holding a televised debate on foreign policy in the civilised tones associated with an ambassador's drawing-room.

If the all-party government that resulted from last November's inconclusive election achieved little else, it established a mood of consensus which came as a welcome change after years of outspoken antagonism between Greek political leaders.

However, serious problems were neglected: the economy, burdened last year with a record budget deficit approaching Dr2,000bn (£7.6m) and an inflation rate almost three times the European Community average, is now heading for a crisis, according to reports by the Organisation for Economic Co-operation and Development and the International Monetary Fund.

The current account deficit, which reached \$2.5bn last year, is forecast to grow rapidly, while foreign borrowing in 1990 may rise to \$3bn.

The coalition Prime Minister, Mr Xenophon Zolotas, an 85-year-old former central bank governor, found that his warnings of trouble ahead were ignored by the party leaders, who seemed determined to avoid any measure that might damage their chances in the April 8 poll.

"I warned them about the balance of payments gap, but they gave it no significance...They observed that they were not disposed to accept new taxes," Mr Zolotas said. "The new government will have to take drastic measures immediately. We are in for a period of austerity."

Mr Zolotas did manage to push through a long overdue tax reform bill, together with measures to privatise or close the 40-odd ailing industrial companies whose debts to the state amount to Dr250bn.

The "ecumenical" government's inactivity has left businessmen and younger politicians with a sense of frustration over a lost opportunity for reform, which is aggravated by the rapid pace of change in eastern Europe. The feeling that Greece is marking time was reinforced by Parliament's failure earlier this month to elect a new head of state.

But at present, the most likely election outcome seems to be another coalition government.

The conservative leader, Mr Constantine Mitsotakis, hopes that his New Democracy party can win the three extra seats needed for a parliamentary majority. But under an electoral law passed by the former Socialist government with the aim of keeping the conservatives out of power, New Democracy will be lucky to pull off victory.

If the Pasok party of the former Prime Minister, Mr Andreas Papandreou, and the Communist-led Left Alliance agree to join forces in the five crucial single-seat constituencies, the conservatives' chances will recede considerably.

Although investigations are proceeding into parliamentary charges that Mr Papandreou ordered illegal phone-taps and accepted bribes in the \$200m Bank of Crete scandal, the former premier is holding his own in the polls. Pasok is building a gentler, Social Democrat image, while Mr Papandreou has managed to postpone a party congress where his leadership could be challenged.

The Left Alliance under the veteran Communist leader, Mr Harilaos Florakis, is showing signs of wear and tear, though its problems are as much the result of the collapse of Communism in eastern Europe as of joining up with the conservatives in the June and November governments.

The only political group with real real enthusiasm for yet another election are the Ecologists, a motley Green alliance which elected one deputy in November. If the early polls turn out to be correct, they could double their vote and possibly hold the balance of power in a hung parliament.

EC takeover directive 'damaging to UK mergers'

By Robert Rice

THE draft European takeover directive is in danger of requiring the UK to convert its takeover panel's non-statutory system into a system of regulation through the courts. This would have damaging consequences for the UK takeover scene, Mr Anthony Beevor, former director general of the Panel on Takeovers and Mergers, said yesterday.

Speaking at the Financial Times Conference on Competition, Mergers, Acquisitions and Alliances in Europe, Mr Beevor said this would significantly undermine the facility for prior consultation and rapid determination of disputes which are features of the present UK system and which have considerable advantages both to companies involved in a bid and their advisers.

It would also expose the UK takeover system to the sort of tactical litigation which is used as a defensive ploy in countries such as the US and Australia. In the interests of shareholders it was something which should be avoided if at all possible, he said.

Referring to the recent allegation that lawyers are now dominating the takeover scene Mr Beevor said: "Merchant bankers and not lawyers remain the principal link between the Takeover Panel and the parties to a bid. The panel would like to keep it that way," he said.

Lawyers may accompany merchant bankers to meetings with the panel but the case is nearly always put by the bank. He advised against parties being legally represented before the panel in normal cases. The code was a practical instrument which had been written in co-operation with merchant bankers. Only those with very close knowledge of it and considerable experience of how takeovers work in practice should attempt to lead a case before the panel.

The recent increase in the involvement in UK takeovers of overseas regulatory authorities was an inevitable consequence of the multi-national nature of many UK target companies.

There has also been concern over the inevitability of a clash between panel rules and US SEC rules on the manner in which takeovers can be made. This arose in Ford's bid for Jaguar and was resolved through discussion and direct liaison between the two bodies. Mr Beevor said he hoped this experience would lead to the evolution of guidelines for similar cases in future.

Mr Peter Stormont Darling, chairman of Mercury Asset management group, rejected accusations that institutional fund managers were guilty of "short termism" in relation to takeovers.

Allegations that fund managers are too ready to accept hostile takeover bids thereby neglecting the long-term interests of industry, and that they switch their clients' investment too frequently on the basis of short term considerations, increasing the volatility of share prices are based on misconceptions of fund managers' role and their duty to their clients. Fund managers owe an overriding duty to their clients, he said. They do not have a duty to secure the long term position of managements of the companies in whose shares they invest their clients' funds.

'If Europe does not significantly improve its mergers and acquisitions environment it would be impossible to remain competitive'

He also rejected the allegation that companies postpone necessary or desirable investment because of switching activities of fund managers. Stock markets prefer companies with long term strategies, he said. If companies do try to boost short term profits and fail to invest for the long term, they will soon be caught out by analysts, their shares will go down, and they will make themselves even more vulnerable to takeover.

Mr Martin Waldenström, president of Booz Allen Acquisition Services, said his company's recent survey for the European Commission of barriers to takeovers across Europe had revealed a significant need for industrial restructuring in order for European industry to remain competitive world-wide after 1992.

If Europe did not significantly improve its mergers and acquisitions environment it would be impossible in certain industries, particularly services, to remain competitive with Japan and the US, he warned.

There are, too, industrial models operating within Europe. The Anglo-Saxon model – common to the UK and the US, under which there was constant monitoring of management performance, protection for minority shareholders, and efficient resource allocation, – and the continental model – common to Germany and Japan where managements are given a long-term mandate and there is stable and knowledgeable ownership of industry, close ties with the banks and a clear industrial growth strategy.

Europe needed a model which combined the best of both, he said. It should be dominated by seven principles: ownership democracy – 51 per cent should rule; periodic re-endorsement of control restrictions over such things as pre-emptive rights; no institutional self-control; equal opportunities for shareholders; mutual transparency under which all shareholders account to each other; no internal EC discrimination; and a common front to non-EC companies.

This last principle did not mean "Fortress Europe". On the contrary the idea was to open up the market for Europe and not to discriminate against others more than they do in their market, he said.

Mr Yusho Yamamoto, general manager of the Long Term Credit Bank of Japan, said the relatively small number of Japanese acquisitions in Europe so far was largely due to their greater interest in the US – their primary overseas market.

Their focus will now turn increasingly to Europe, however. The internal market programmes and event in Eastern Europe provide a significant catalyst for further Japanese investment. In order to maintain access to the European market as well as to increase current market shares Japanese companies will undoubtedly make increasing investments in production orientated operations, he said.

More power urged for Strasbourg

By Lucy Kellaway in Strasbourg

IMPORTANT powers for the European Parliament and a general move towards a federal Europe are called for in a report to be discussed by the Strasbourg assembly today.

The report, prepared by Mr David Martin, the Scottish Socialist MEP, would give Parliament greater scope to block European legislation and would give it joint power with the European Commission to initiate proposals.

It would also allow MEPs a say in the choice of commissioners and of judges in the Court of Justice and give Parliament the power to ratify all constitutional decisions.

The thrust of the report will be warmly welcomed by MEPs, who are likely to approve it with an amendment that would strengthen it still further. This would give Parliament power to elect the President of the Commission.

Many of the ideas tally with those of Mr Jacques Delors, Commission President, who has argued that greater power is urgently need for European institutions to cope with the pressures of European Monetary Union and a future enlargement of the EC. He would like the question of institutional reform to be discussed in parallel with the inter-governmental conference on monetary union to be held at the end of the year.

Mr Martin's report makes clear Parliament's wish to be included at the conference, which it agrees should discuss both themes.

It also recommends that the Commission be given greater executive powers and that the decision-making by member states should be speeded up, by making all decisions subject to a majority vote.

The discussion comes at a time when the Parliament is increasingly sore about its lack of its powers and the tendency of the Commission to ignore its wishes. Mr Delors yesterday met the leaders of the main political groups in the Parliament, in an attempt to fend off their threat to slow down legislation on single-market matters unless more progress is made on the social side of 1992.

MPs seek tobacco adverts ban

By Lucy Kellaway in Strasbourg

THE European Parliament is likely to vote today for a complete ban on cigarette advertising throughout the Community, and for a ban on all sponsorship using tobacco trade marks.

The vote is expected in response to the tobacco advertising directive, which would restrict the content of advertisements to a simple display of the outside of the packaging. The parliament regards this as far too weak and is preparing for a long fight to get it significantly strengthened.

Its views are likely to be met with sympathy by some Commission officials, although they recognise that such an amended directive would have almost no chance of getting past member states.

As it is many countries view the existing draft as too strong, with the UK in particular arguing that tobacco advertising is something better dealt with on a voluntary level by member states, and is beyond the competence of Brussels.

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In accordance with the provisions of the Notes, notice is hereby given that the rate of interest for the period 13th March, 1990 to 13th September, 1990 has been fixed at 7.90 per cent. per annum.

The rate of interest payable on the relevant interest payment date, 13th September, 1990 will be Yen 3,982,465 per Yen 100,000,000 principal amount of Notes.

The Nippon Credit Bank, Ltd., Tokyo
Agent Bank

FINANCIAL TIMES

Published by the Financial Times (Europe) Ltd., Frankfurt Branch, (Guiollettstrasse 54, 6000 Frankfurt-am-Main 1; Telephone 069-75980; Fax 069-722677; Telex 416193 represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, R.A.F. McClean, G.T.S. Damer, A.C. Miller, D.E.P. Palmer, London. Printer: Frankfurter Societaets-Druckerei-GmbH, Frankfurt/Main. Responsible editor: Sir Geoffrey Owen, Financial Times, Number One Southwark Bridge, London SE1 9HL.

FINANCIAL TIMES, USPS No 190640, published daily except Sundays and holidays. US subscription rates \$365.00 per annum. Second-class postage and at New York NY and at additional mailing offices. POSTMASTER, send address change to: FINANCIAL TIMES, 14 East 60th Street, New York, NY 10022.
Financial Times (Scandinavia) Ostergade 44, DK-1100 Copenhagen-K, Denmark. Telephone (33) 13 44 41. Fax (33) 935335.

OVERSEAS NEWS

Tokyo trade surplus falls for 10th month

By Stefan Wagstyl in Tokyo

JAPAN'S trade surplus fell last month, compared with February 1989, the 10th monthly decline in a row.

The trade surplus last month totalled $5bn, down from $7.23bn in February last year, according to figures published yesterday by the Ministry of Finance. Exports fell 1.9 per cent to $21.96bn, while imports rose 11.9 per cent to $16.95bn.

The bilateral surplus with the US fell sharply for the fifth month in succession to $2.96bn from $4.18bn in February last year. However, the report will do little to ease US-Japan economic tensions, since the rate of decline in Japan's overall and bilateral surplus is expected to slow in the near future.

Some economists believe surpluses will start growing again from mid-year, partly because imports for the past year have been boosted in dollar terms by a decline in the value of the yen and an increase in oil prices and partly because Japanese export companies are beginning to exploit the yen's decline to boost sales. Mr Kenneth Courtis, chief economist at the securities arm of Deutsche Bank in Tokyo, said: "These are the best numbers we are going to see for some time."

Rising oil prices were the biggest factor behind the increase in imports. On a year-to-year basis imports of crude oil and mineral fuels jumped 24.5 per cent to $4.136bn. Machinery and equipment imports, including aircraft from the US, were also sharply higher – at $2.95bn, an increase of 36.9 per cent.

Exports of electrical machinery and equipment fell by more than 9 per cent, including sharp declines in exports of telecommunications equipment, semiconductors and video recorders. The reductions to some extent reflect increases in local production in the US and Europe and in export production by Japanese companies from other Asian countries.

Export sales of vehicles and transport equipment were virtually unchanged. Sales of non-electrical machinery rose 1.6 per cent in response to demand for industrial plant from Japanese and non-Japanese companies building and refurbishing factories, especially in Europe. Exports to the US in this category fell slightly.

Exports to the European Community rose by 7.6 per cent to $4.29bn, imports by 14.7 per cent to $2.4bn, resulting in a decline in the Japanese bilateral surplus to $1.88bn.

Divisions over Palestinian revolt sink coalition

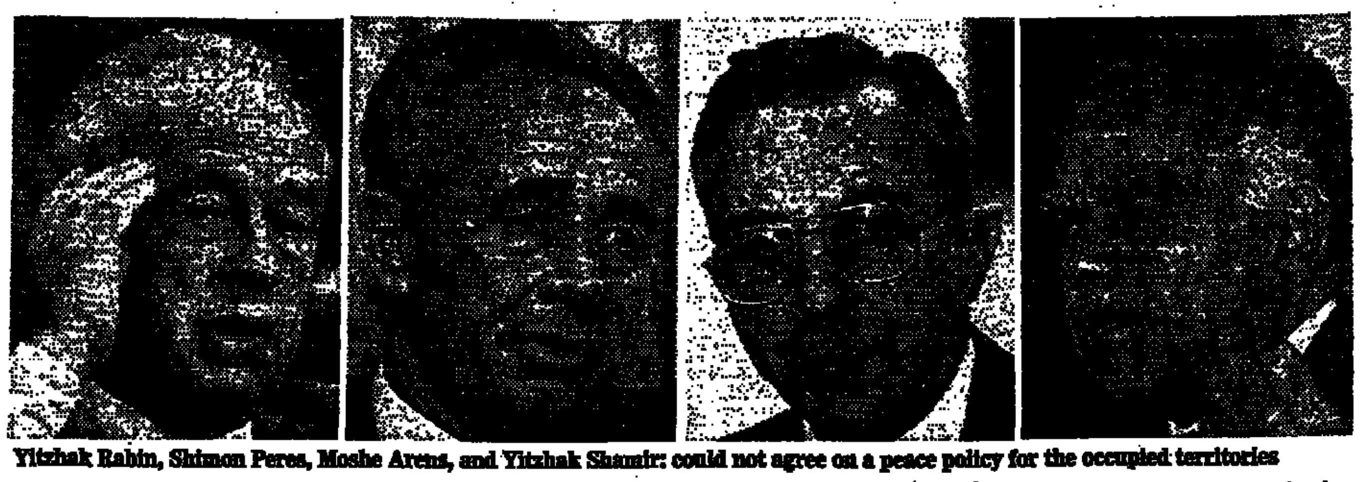
Hugh Carnegy explains why Israel's prime minister yesterday dismissed the Labour party leader

WHEN Mr Yitzhak Shamir, the Israeli Prime Minister and leader of the Likud party, announced yesterday he was dismissing Mr Shimon Peres, the Finance Minister and Labour leader, he effectively acknowledged the coalition Government's internal divisions were so entrenched it was incapable of agreeing a policy on the central issue that faced it. This is the question of how to achieve a peace settlement in the occupied territories where a violent revolt by the Palestinian population against Israeli rule – the intifada – has raged for 27 months.

Mr Shamir's move, which prompted the resignation of all the Labour ministers, pre-empted a threat by Labour to scuttle the Government later this week over Likud's refusal to accept US proposals for the start of what would have been the first-ever direct Israeli-Palestinian peace talks.

In the next few days, weeks and perhaps even months, Likud and Labour, which respectively represent the finely-balanced right and left-of-centre streams of opinion in Israel, will circle each other like spitting cats in search of political advantage. Each will try to form a narrow coalition. A general election may be called. Such is the electoral stalemate between them that even a resumption of their coalition, which dates back beyond its most recent incarnation to 1984, is a possibility.

For the moment the prospect of progress towards peace in the region remains hostage to the political paralysis in Israel. Of all the options, only a Labour-led narrow coalition, which would be extremely fragile, offers much chance of advance.



Yitzhak Rabin, Shimon Peres, Moshe Arens, and Yitzhak Shamir: could not agree on a peace policy for the occupied territories

The very conception of the coalition in late 1988 was inauspicious. A general election in November of that year left Likud with 40 Knesset seats and Labour with 39. The remaining 41 were split between small right-wing, left-wing and religious parties. Mr Shamir for a while courted the four religious parties, evoking uproar particularly in the American Jewish community over the religious leaders' demands on a strict legal definition of "Who is a Jew".

Finally, after seven weeks, he forged a deal with Labour, creating a new version of the so-called National Unity Government that had existed before the elections.

For Mr Shamir, it was a marriage of considerable convenience. Not only did it allow him to keep at bay powerful rivals to his right in Likud - notably Mr Ariel Sharon, the former Defence Minister. It also gave him a vital shield in the form of Labour against growing US pressure to yield on Likud's hardline commitment to maintaining a "Greater Israel", including the West Bank and Gaza Strip.

Only days before the coalition agreement was struck, Washington had opened a dialogue with the Palestine Liberation Organisation which itself was winning worldwide diplomatic gains through its newly-proclaimed acceptance of Israel's existence and its accompanying peace overtures.

Mr Peres was sceptical about the coalition with Likud, especially as, during the previous government Likud had scuppered the so-called Jordanian option of peace talks with a joint Jordanian-Palestinian delegation that for a while looked promising. But Mr Peres was unwilling, as he still is, to advocate instead talking to the PLO and so had no viable alternative to offer.

Crucially, also, Mr Yitzhak Rabin, who remained as Defence Minister, enthusiastically backed the coalition. He believed progress towards peace could not be made by Labour acting alone - as shown by the demise of the Jordanian option. Moreover, he genuinely feared the consequences of a Likud Government in which Mr Sharon was restored to full influence and the defence portfolio.

In the event, Labour was not able to make much progress towards peace in harness with Likud either. Prodded by Mr Rabin and alarmed by a frosty reception accorded Mr Moshe Arens, the Likud Foreign Minister, during a visit to Washington, Mr Shamir proposed a four-point plan for Palestinian self-rule – not independence – in the occupied territories during a visit he himself made to Washington in April last year.

The PLO and local Palestinians were not enthusiastic. But, urged on by the US and Egypt, they left open the door to accepting the Israeli initiative. But repeated efforts by Washington and Cairo to bridge the gap between the two sides won only rebuff from Mr Shamir, convincing most Palestinians and many in the Labour camp that he had never been serious about the enterprise in the first place. "Poor Mr Baker," said a prominent West Bank leader about the US Secretary of State. "He has to try to persuade Mr Shamir to accept his own initiative."

Throughout, Labour puffed and blew, but, until this week, always avoiding leaving the coalition. Even Mr Rabin despaired over Likud's refusal to accept Mr Baker's proposal that the Palestinian delegation to talks include deportees from the territories and Arab residents of Jerusalem, and that Jerusalem Arabs be allowed to vote in proposed elections in the territories.

Labour was prepared to countenance these minimum PLO conditions, despite Likud's claim that they constituted PLO involvement (which officially both parties reject) and a threat to Israeli control of Jerusalem. Yesterday, Mr Shamir was adamant that he could not accept these proposals.

Until the Likud-Labour stalemate is broken in some way, it is hard to see how the "peace process" can go forward. In these circumstances, there is rising concern among some Israelis over the consequences for their all-important relationship with the US, which has invested considerable effort in trying to get the process moving.

With events in Eastern Europe undermining some of the old certainties of Israel's position as a strategic partner of Washington, it was a shock recently for Israelis of any political stripe to hear President George Bush and Mr Baker publicly questioning levels of aid to Israel and, last week, Israel's control of Arab areas of Jerusalem captured during the 1967 six day war.

Given an economy in considerable difficulties, compounded by the challenge and cost of absorbing hundreds of thousands of Soviet Jewish immigrants, Israel can ill afford any reduction in either the political or economic backing it receives from Washington.

S Korean economic recovery forecast

By John Ridding in Seoul

THE South Korean economy will start to recover from a prolonged slowdown in the second quarter of the current year, according to a study released yesterday by the state Korea Development Bank.

But a report released simultaneously by the Industrial Bank of Korea presented a less optimistic picture of falling investment in small and medium-sized businesses. Officials are also expressing concern at the recent falls in the Japanese yen.

According to the KDB, the improved outlook is a result of a rise in new investments and an improved export performance caused by the depreciation of the South Korean currency, down by more than 2 per cent against the dollar since the beginning of the year. However the KDB said economic growth would not achieve the double digit levels previously enjoyed by South Korean industry because of slowing domestic demand, and weaker international markets.

Last year, the South Korean economy grew by 6.5 per cent, almost half the increase in 1988. Combined with a rise in inflation, to an annual rate of about 7 per cent, it has prompted a concern about economic prospects.

The KDB study said the outlook was strongest in industrial electronics equipment and parts, high quality textile products and shipbuilding.

Protesters dressed in traditional clothes gather outside the Choijinlam temple in the centre of the Mongolian capital of Ulan Bator to demand the end of one-party rule. In response to such pressure the Mongolian Communist Party politburo resigned on Monday.

Singh pledges armed defence of Kashmir

By K.K. Sharma in New Delhi

MR V.P. SINGH, India's Prime Minister, yesterday intervened in a parliamentary debate to warn Pakistan against interfering in Kashmir, pointing out that India was "able and willing" to use military means to maintain the country's unity.

Acknowledging that Kashmir's troubles needed to be tackled mainly by administrative and political measures, Mr Singh also referred to "interference from across the border, covert and overt" and hoped that use of the military would not be necessary.

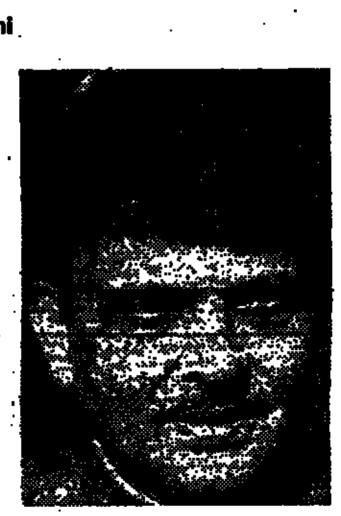
Although officials have given similar warnings to Pakistan in the past few weeks, this is the first time that the Indian Prime Minister has clearly referred to India's determination to give a "fitting reply" to any "misadventure that is attempted" in Kashmir.

"We have both the will and capacity to act", Mr Singh said, making it clear that India would do everything to maintain its integrity and adding that "this will not be without cost to Pakistan".

Mr Singh's statement was made during a day-long debate on the situation in Kashmir just as reports from Islamabad by the United News of India came quoting Ms Benazir Bhutto, Pakistan's Prime Minister, of assuring Kashmiris of her country's support to the movement for the state's secession from India.

Ms Bhutto was quoted as saying, during a speech at Muzaffarabad, capital of Azad Kashmir, that "if Afghan mujahideen could drive out occupying forces, then why can't the Kashmiris achieve their goal, particularly when India is not a superpower like the Soviet Union".

Sitting for more than eight hours to debate the situation in Kashmir at the first opportunity they got, Indian MPs spoke of their determination to maintain the country's unity after Mufti Mohammed Sayeed, Minister for Home Affairs, reaffirmed the Government's decision to do everything to ensure that Kashmir remained a part of India.



Singh: "will to act"

Members of all parties followed the lead of Mr George Fernandes, the newly-appointed Minister for Kashmir Affairs, and agreed that the situation in the state had altered dramatically in the past few months and that immediate remedial measures were needed "to win the hearts of the people".

While all parties acknowledged that demands for secession were being increasingly supported by the people, Congress members clashed repeatedly with the Treasury benches when Mr Rajiv Gandhi's party was blamed for the state's current troubles.

Mr Fernandes is to lead an all-party committee to the state in an attempt to reassure the people that the new government would make efforts to remove their complaints, including the neglect of the Kashmir economy and the growing unemployment there.

The committee is also to meet large numbers of Hindu migrants from Kashmir, many of whom are now in Jammu, the Hindu-majority part of the state. Attempts are to be made to restore their confidence in the government so that they return to their homes.

India fuels row over Airbus crash

By David Housego in New Delhi

A ROW seems likely over allegations that the crash of an Airbus A-320 aircraft in Bangalore last month was the result of the engines' failure to respond to commands from the computer and pilots.

A senior minister told a group of Indian journalists in an off-the-record briefing on Monday night that the engine failed to respond to commands at 150ft. Reports to this effect appeared on the front pages of most Indian newspapers yesterday.

The minister's remarks were seen as pre-empting the findings of a court of inquiry into the cause of the crash.

Mr Mohammed Arif Khan, Minister for Civil Aviation, in a written parliamentary answer, said yesterday that the court was to submit its report by May 31.

The Munich-based company, Motoren- und Turbinen-Union (MTU), a partner in the international aero-engines consortium that makes the V-2500 engine, yesterday said the crash was not due to engine failure.

Industry observers say that any jet engine will take seven to eight seconds to reach full thrust once the throttle is opened and, during these seconds, the aircraft would continue to lose height.

The off-the-record remarks were seemingly made in angry response to leaks in the French press that the crash, which killed 92 people on February 14, had been due to pilot error.

French civil aviation ministry officials, on the basis of evidence from the cockpit recorder, are reported to have said that the pilot failed to note the speed of the aircraft as it came in to land.

In his prepared parliamentary answer yesterday, Mr Khan said that the A-320 was suitable for Indian conditions but that it had met with teething troubles associated with the entry into service of any new aircraft.

He said that some of the recurrent snags experienced in Indian airlines with the A-320s related to smoke in the cabin, the pressurisation system, the hydraulics and the auxiliary power units.

The minister announced that the Government was considering an inquiry into the circumstances of the A-320 deal after allegations of kick-backs.

Bougainville left to rebels as PNG troops pull out

THE South Pacific island of Bougainville was in rebel hands yesterday after Papua New Guinea government troops and police withdrew earlier than expected, a government official said, Reuter reports from Port Moresby.

Security forces were not scheduled to leave the island until Friday under a ceasefire agreed last month between the secessionist rebels and the government. The official said the troops had been expected to provide security for the 11-member international delegation monitoring the disarming of the rebel Bougainville Republican Army. But delegation members arrived on Monday to discover all police had left and were just in time to see the final contingent of troops fly out.

Reporters said armed rebels guarded the observers' hotel to ensure their safety from unruly rebel supporters.

The Government said the early withdrawal of all security forces appeared to be in protest over the government's decision to accede to rebel demands and to pull out from the province to facilitate peace talks.

One hundred people have been killed and thousands left homeless on Bougainville, 800 kms east of Port Moresby, since the rebels started their campaign 15 months ago.

They are also demanding massive financial compensation from the Australian owners of the island's giant copper and gold mine for environmental damage.

Mr Sam Kauona, one of the rebel army's leaders, warned yesterday that Bougainville would have to be granted independence before the mine was reopened. In his first interview with foreign journalists since the fighting on the island began, he said demands for secession were not negotiable.

China bangs the ideology drum

By Peter Ellingsen in Peking

CHINA'S Central Committee is showing a touch of desperation and concern for the future in the run-up to the opening on March 20 of the annual session of the National People's Congress, its rubber-stamp parliament. Alarmed about Eastern Europe's defection from communism and its own collapsing economy, it decided yesterday to reinstate old-fashioned political indoctrination as its first priority.

Concluding its four-day sixth plenum, the central committee declared that all departments must improve party links with "the masses" as part of a scheme to see party cadres, not managers, wielding final control. While insisting China would maintain its open policy and try to expand economic output, a communiqué made clear a determination to crush political dissent.

Citing a breakdown in ideological work as a cause of party problems, the plenum set a distinctively defensive and leftist tone for government policy. Attended by 166 members of the Central Committee, 103 alternate members and the central advisory commission of retired leaders, it comprised the élite of the party hierarchy and reflected the hardline stance of Deng Xiaoping, the senior leader, adopted after the Tiananmen Square massacre last June.

Though claiming relations with the people were "good", the plenum acknowledged problems, including too much bureaucracy, corruption and unnamed "other serious phenomena" which it said had to be rectified. In a throwback to the strategies of Mao, this would be done by sending cadres "to the grassroots". The plenum listed seven tactics, all in the jargon of the 1950s, for lifting party support, but none represented new thinking.

Reflecting the leadership's concern at events in eastern Europe and the downturn in the economy, the plenum's communiqué exhorted cadres to act quickly to remedy problems "while conditions for their solution exist". The 1990s is a "decade crucial to China's development", the document said, adding: "We will surely establish ourselves in an unassailable position provided we lose no time to do China's own affairs well."

● President George Bush yesterday admitted disappointment with the state of political reform in China in the aftermath of the Tiananmen Square massacre last June, Peter Riddell adds from Washington.

Mr Bush has faced more criticism for keeping open high-level contacts with Peking than over any other foreign policy issue of his presidency. The US has hoped that, by seeking to retain influence with the Chinese authorities, last summer's restrictions would be gradually relaxed.

The state of mind of Mr Hawke's intelligent Australian voter

Say what the Prime Minister will, local issues are bound to influence the federal election, writes Chris Sherwell

ASK BOB Hawke if he thinks state-level issues will influence the outcome of Australia's federal election. He responds with one of his favourite phrases: to suggest such a confusion is an "insult to the intelligence of the electorate".

It is easy to see why he makes such an assertion when one looks at the extraordinary maladministration of Labor state governments in Victoria and Western Australia. Mr Hawke is seeking his fourth term as Prime Minister – a record both for a Labor leader and for Labor as a party.

Indeed, the government in the "Wild West" was such a liability that, just before he announced the March 24 election date last month, the party summarily removed Mr Peter Dowding as premier and replaced him with Dr Carmen Lawrence.

The immediate reason was to counter the evaporation of popular support in the state, which was becoming so serious it threatened to lose Labor two and perhaps more seats – no small matter when Labor's majority is 18 in the 148-seat House of Representatives.

The loss of support in turn sprang from the Government's dealings in and with business, especially its abortive bail-out of the collapsed Rothwells finance house and its costly involvement with the Bond Corporation in an ill-conceived petrochemical plant project and a takeover of the Bell stable of companies.

The losses to the taxpayer run to hundreds of millions of dollars, an embarrassment exceeded only by the lamentable performance of the Labor government in Victoria. There, the losses are running even higher and there are loud calls for the resignation of Mr Rob Jolly, the state treasurer, if not John Cain, the premier.

The most spectacular example is at the State Bank of Victoria and its merchant banking offshoot, Tricontinental Holdings, where total provisions and write-offs now run above A$1.2bn (£571m) for 1988 and 1989. With 10 marginal seats in Victoria – about half the national total – the pressure on Labor is far more acute than in Western Australia, and reinforced by the fact that Melbourne is the heartland of Mr Andrew Peacock, the coalition's leader.

It is there that Labor expects to suffer its biggest losses to the opposition Liberal and National party coalition, and no one doubts that state issues will be a key reason. Indeed, if Victoria and Western Australian developments were all that mattered, Labor's chances at the federal level would be minimal.

But this is Australia and, what is fortunate for Labor, events in the other states – notably Queensland and New South Wales – point the other way. Of the two, New South Wales is more important because it has the more seats – well over one-third of the total being contested – but the outcome there is also more difficult to predict.

It was in New South Wales in the late 1970s that Labor learned how to be a real party wielding corporatist power.

AUSTRALIA
State of the Parties: House of Representatives

Party	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total*
Lab	28	23	13	8	8	1	2	1	83
Lib	13	12	5	6	5	4	-	-	47
Nat	10	3	6	-	-	-	-	-	18
Total	51	38	24	14	13	5	2	1	148

*Inconsistencies in totals reflect fact that some figures represent notional state of parties after allowing for redrawn constituency boundaries

Source: 1990 Federal Election Guide

And it was in New South Wales in 1988 that its long run of success at state level ended, when Mr Nick Greiner led a Liberal-National coalition to victory.

His market-oriented emphasis on efficiency – in particular in education, hospitals and the state railways – together with a heavy programme of asset (mainly property) disposals, have since made his government highly unpopular. To make matters worse, Mr Greiner's National party partners have become tainted by accusations of corruption.

In Queensland, this was the very issue that brought down the National party government late last year, ending more than 30 years of unbroken rule with and without the Liberals. Labor is praying that its state victory under Mr Wayne Goss will repeat itself in Queensland's federal constituencies, which is why Mr Hawke formally launched the party's re-election campaign in Brisbane.

Queensland is without doubt the linchpin in Labor's campaign to win re-election in 1990. What it loses in Victoria and Western Australia, it calculates, it may be able to claw back in Queensland and to a lesser extent in New South Wales.

If this in itself underlines the importance of state issues, their significance is reinforced by Australia's electoral system. Although minor parties, such as the Australian Democrats and "Greens", expect to capitalise on popular disillusionment and win more votes than in the past, their supporters' second and third preferences count – and state issues are certain to influence those preferences.

So will other factors, of course: the environmental issue, for example, the personalities of Mr Hawke and Mr Peacock, and the effectiveness of the two sides' campaigns in the all-important marginal seats. But Mr Hawke's robust defence of the intelligence of the electorate in respect of state issues is as self-serving as it is heroic.

Mandela calls for stronger sanctions

By Robert Taylor in Stockholm

MR Nelson Mandela called for an intensification of sanctions against South Africa and an ending of diplomatic ties with Pretoria yesterday during a visit to Sweden.

He told Swedish MPs: "I have a vision of South Africa as a united, democratic country which has no discrimination, no racism and is not involved in any military alliances."

In a wide-ranging press conference Mr Mandela refused to express any criticism of Mrs Thatcher's moves to lessen rather than tighten up sanctions against South Africa.

Hyundai to help with petrochemical plant in Siberia

By John Ridding in Seoul

HYUNDAI, one of South Korea's largest business groups, is to share in building a \$5bn (£2.9bn) petrochemical project in the eastern Soviet Union, the company said yesterday.

The move reflects the rapid development of trade and economic links between South Korea and the Soviet Union, and Hyundai's aggressive expansion into eastern Europe.

The announcement follows a visit to the Soviet Union by Mr Chung Ju Yung, Hyundai's founder and honorary chairman. During the visit, Mr Chung also opened a Hyundai branch office in Moscow.

Details concerning the petrochemicals contract have not been finalised, but Hyundai is expected to be awarded the contract for the construction of the plant, estimated at about half the project's total value.

A spokesman for Hyundai said work was expected to start in the second half of next year and that the first phase of construction is expected to be completed within four years. The complex is to be situated in Siberia.

Hyundai will receive two-thirds of its payment in dollars, borrowed from Western banks and backed by the Soviet Government. The balance will be paid in roubles.

Hyundai's participation is believed to have been recommended by Construction Engineering (CE), the US company which is the Soviet Union's joint venture partner in the project.

Hyundai and CE have previously co-operated in construction ventures, including the building of nuclear power plants in South Korea. Mr Chung is to visit CE early in April to discuss Hyundai's role in the new project.

Economic links between South Korea and the Soviet Union have expanded rapidly over the last year. South Korean exports increased by 86 per cent to \$208m in 1989, while imports more than doubled to \$391m.

A Soviet trade office was established in Seoul at the end of last year and earlier this month, South Korea said it would start importing processed uranium from the Soviet Union. The two countries still do not have diplomatic relations because of Moscow's ties with North Korea.

Laying to rest the cosy inefficiencies of Comecon

East Germany can expect pain to accompany the prosperity of market forces, writes Andrew Fisher

TO EAST German managers brought up in the hermetically sealed economic world of the Soviet-led trading bloc Comecon, concepts such as market share and competitive pricing are something of a novelty.

Take, for instance, the response of Mr Lothar Heinzmann, head of East Germany's IFA trucks concern, when asked in Berlin this week about its penetration of markets in eastern Europe.

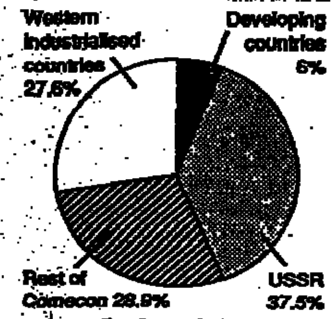
Having just signed a joint truck venture with Mercedes-Benz of West Germany, he said about half of IFA's yearly output of some 40,000 commercial vehicles was exported further east.

What about market share? Mr Heinzmann had no information about percentages. This had obviously never been relevant in the highly-structured trading world of Comecon. East Germany had been allotted the role of small- to medium-sized truck producer, while heavy vehicles came from Czechoslovakia.

The same planning rigidities also applied to the internal workings of East German concerns. Like other industrial groups, IFA makes all its parts, even down to piston rings, with a level of vertical integration twice that of Mercedes.

All of this, however, is now changing rapidly as the winds of economic reform blast relentlessly through east Europe. Once the likely currency union forces companies in East Germany to operate with transparent cost and pricing systems, the cosy inefficiencies of the past will disappear, a process that will bring pain as well as prosperity. Autarky will be replaced by the flexible and widespread supply and trading networks common in the west.

East German foreign trade



Source: East German Statistical Yearbook

By western industrial standards, East German links with the non-Comecon world are hopelessly underdeveloped, the legacy of a Soviet-dominated economic system. The Soviet Union accounts for nearly 40 per cent of East German trade and the rest of Comecon, in particular Czechoslovakia, Poland, and Hungary, for nearly 30 per cent. The so-called "capitalist industrial countries", in particular West Germany, make up most of the rest. West Germany, by contrast, carries out less than 5 per cent of its trade with Comecon.

The integration of western Europe, notably West Germany, into the international division of labour was the main driving force for post-war recovery, Mr Jörg Beyfuss, senior economist at Cologne's IW economic institute, notes. "As a mirror image, the world economic isolation of Comecon countries is a reason for their economic backwardness," he adds.

"Lasting economic progress for the reforming countries of eastern Europe is unthinkable without more intensive links to world trade."

As West German and other foreign companies – so far, the Germans are predominantly in evidence – step up their drive into East Germany, changes are likely to be bewilderingly fast. Yet while it is clearly in East Germany's interest to cut sharply its dependence on trade with the Soviet Union and the rest of Comecon, the past links with the East are obviously also a valuable asset.

"We intend to make a dynamic entry into the markets of eastern Europe," said Mr Werner Niefer, chief executive of Mercedes-Benz, part of the Daimler-Benz group, before signing the deal with IFA.

Mr Helmut Werner, the director for trucks, estimated that total sales of all truck types in eastern Europe, excluding the Soviet Union, could reach 2m units a year; there are currently some 1m commercial vehicles on the region's roads. He saw the best prospects in East Germany, Hungary, and Czechoslovakia.

But to make the leap into the east as its markets become less docile and more demanding, Mercedes will have to lift IFA up to western production standards. According to Mr Werner, Mercedes only sees a need for three of IFA's 24 truck plants in the planned venture. The rest make components, and Mercedes wants European and US companies to work with these and build up a viable supply industry.

At first, therefore, East Germany is likely to raise imports faster than exports as the needs of industry and consumers for quality goods are at last met.

Assessing the size of East German trade is hard; statistics are poor. Mr Beyfuss puts it at \$53.5bn in 1988, less than stated by East Germany's own figures. The East German share of world trade is a tiny 1 per cent. West Germany's is 10 per cent.

Moreover, East German exports to the West consist mainly of goods with a low technological content such as textiles, furniture, iron and steel.

Mr Beyfuss cites a telling difference between the trade content of the two Germanys. Whereas at least 40 per cent of West German exports to other western countries comprise automobiles, machinery, and electrical and electronic products, the corresponding share for East Germany is only 18 per cent.

It is a further example of the huge gap between the two Germanies. Even if they are united, and the gap becomes internal rather than external, it will take several years and much effort to close.

HERMES, the privately-owned West German insurer which operates the country's official export credit insurance scheme, is now making commercial risk cover available to East German companies exporting to West Germany and the rest of the EC, Niamh Kenny writes.

The move is seen as heralding the day when Hermes will provide its full commercial and political risk insurance schemes to companies across a reunified Germany.

Hermes has been pondering such a move for some months, according to a senior official at the agency. He said negotiations with several East German companies are already under way, and the first deals should be covered "within a short period".

Initially, Hermes will offer only commercial risk insurance on export credits to West Germany and the EC. The package will be open to all East German companies, whether state-owned, joint venture or private, on the same terms as those offered to West Germans – premiums will be charged at the same rates and according to the same criteria.

An integral part of the new service will revolve around the provision of credit rating services and commercial advice, including information on dealing with Western importers.

According to Hermes, one of the main obstacles faced by potential East German exporters is the lack of information about Western companies, leaving them especially vulnerable to risk of default.

Italtel and Matsushita in accord on fax machines

By Haig Simonian in Milan

ITALTEL Telematica, a subsidiary of Italy's state-owned telecommunications-equipment maker, has reached agreement with Matsushita, the Japanese electronics group, to produce a range of facsimile machines under licence.

The deal is an important extension of fax production in Italy.

Italtel, which claims to have some 25 per cent of the Italian market for fax machines, has been involved primarily in the "commercialisation" of machines produced principally in Japan.

The Italian market for faxes – 220,000 units last year – has seen rapid growth alongside declining prices.

Under the new arrangement, it will be more directly involved in manufacturing, although no details about the level of local content have been disclosed.

The CX200 and CX210 model fax machines, designed by Matsushita Graphic Communication Systems, will be produced at Italtel's plant near Naples in southern Italy.

The value of the deal has not been disclosed. But an Italtel official said it would involve "numerous thousand" machines throughout the agreement.

Taiwanese businessmen now free to visit China

By Peter Wickenden in Taipei

TAIWAN yesterday decided to lift an unenforceable ban on visits by its businessmen to China.

The decision legalises a practice widespread since curbs on family visits to China were lifted in 1987. About 800,000 Taiwanese have visited China since, many seeking business or planning investment, while visiting relatives. Indirect trade last year was worth more than \$3.5bn (£2bn).

Businessmen will now officially be able to study China's investment environment and attend trade shows. Maximum stay is three months. They can now import antiques and samples for research purposes. Local government employees, private citizens and academics are now allowed to attend conferences in mainland China, but cannot co-sponsor activities there.

Mr Chang Jian Bang, Taiwan's Transport Minister, said direct private transport links across the Taiwan Straits could easily be re-established if Taipei and Peking allowed it.

Sentence on UK journalist could hit trade with Iraq

By Victor Mallet, Middle East Correspondent

THE dispute between Britain and Iraq over the death sentence on Mr Farzad Bazoft, the Iranian-born journalist working for The Observer (London), threatens to make life even more complicated for British businesses in the Middle East.

UK companies have already been put at a disadvantage elsewhere in the region because of Britain's lack of diplomatic relations with Iran, Syria or Libya, although trade continues with all three, despite political differences with the UK.

British trade with Iraq depends largely on official UK credit lines, and withholding credit is among the actions the British Government might take if Iraq executed Mr Bazoft, on spy charges, and refused to show clemency to Mrs Daphne Parish, a British nurse sentenced to 15 years' jail for allegedly helping him.

Even if Iraq backtracks and the dispute can be resolved, President Saddam Hussein's government may give vent to Iraqi nationalism by discriminating against British "colonial" goods, as some radical Iranian officials have tried to do in the absence of any formal trade embargo by either Tehran or London.

A further obstacle to good UK-Iraq relations is the continued imprisonment of Mr Ian Richter, a British businessman who has been serving a life jail sentence since 1986, for alleged corruption.

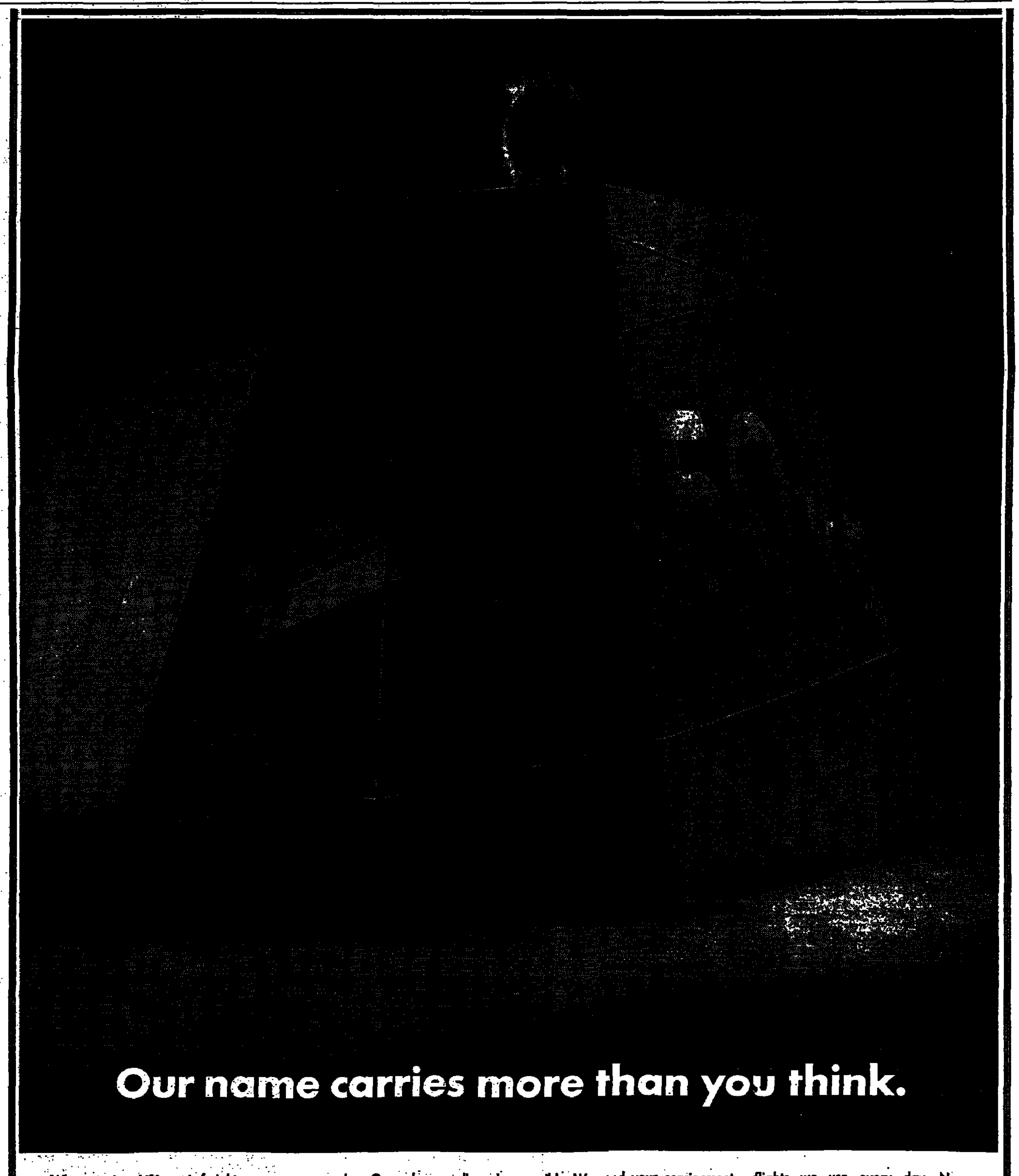
Iraq's oil reserves are second only to those of Saudi Arabia, and the country therefore has good long-term financial prospects.

But for the moment, its foreign debt of some \$35bn (£20.5bn) to non-Arab nations makes it hard for the Baghdad government to obtain credit from other sources, giving Britain what little leverage it has. For an effective credit embargo, Britain would need the firm support of the European Community, the US and Japan.

Last year, British exports to Iraq rose to £450m from £412m in 1988, while British imports fell to £93m from £176m. The 1989 surplus in Britain's favour was bolstered by £340m in lines of credit guaranteed by the Export Credits Guarantee Department.

This year, Britain allocated only £250m in credit – none of it so far drawn down – and officials privately blamed the reduction of Iraqi arrears on repayment of previous credits. Overall, Iraq ranks about 30th among Britain's export markets, importing pharmaceutical products and machinery in particular.

The effects of diplomatic disputes on trade vary widely from country to country. British exports to Libya have been rising, while those to Syria and Iran have fallen markedly.



Fed underlines doubts on dollar intervention

By Peter Riddell, US Editor, in Washington

HIGHER Japanese interest rates would not necessarily mean higher interest rates in the US, Mr John Laware, a Federal Reserve governor, said yesterday.

Speaking in Washington, Mr Laware underlined the doubts of many Fed policymakers about large-scale intervention to hold down the dollar in exchange markets. He said he was "not a strong believer in what we call sterile intervention."

Mr Laware's comments came as President George Bush sought to play down talk of administration differences with the Fed, especially after a report last week that he was considering not reappointing Mr Alan Greenspan as Fed chairman next year.

Denying there was a "bubbling war with Alan Greenspan," Mr Bush said there had been no discussion of his future. He said every president would like to see interest rates lower, while adding his concern over inflation.

Mr Bush noted that some felt the Fed was dragging its feet somewhat in getting interest rates down. "And I think some probably agree with the inflationary concerns that have been expressed. But I'm not in a Fed-bashing mode. I think it's very sensitive in terms of markets and everything else to even go as far as I have done, trying to say very little, and succeeding only moderately."

US Treasury bonds have clearly been struggling over the past few days because of accumulating evidence that the economy has rebounded smartly so far this year.

The yield on the benchmark long bond rose to 8.66 per cent at midsession yesterday after a strong set of retail sales figures, which followed Friday's strong February employment data.

The weakness in the bond market has been compounded by the rather odd behaviour of the Federal Funds rate, targetted by the Fed and a key tool of monetary policy. Last Friday, Fed Funds drifted a little above the 8¼ per cent level believed to be the Fed's target with no protest from the central bank.

Yesterday, the Fed was expected to add reserves to the banking system but chose not to, worrying some in the market that the Fed is willing to tolerate a slightly higher Fed Funds rate.

There is no evidence that the Fed is actually tightening monetary policy but the market has a close eye on its behaviour.

US retail sales hit by volatile car figures

By Anthony Harris in Washington

US RETAIL SALES, which rose *strongly in December and January*, relapsed by nearly a full percentage point in February in seasonally adjusted terms, the Commerce Department announced yesterday.

The month-to-month swings are almost entirely due to volatile car sales: without the car component, sales have been rising fairly smoothly by about 1¼ per cent a quarter in value, or an annual rate of just over 1 per cent in real terms, as they did through much of 1989.

Car sales, by contrast, fell by 6.8 per cent in February after rising no less than 10.7 per cent between December and January; the depressed market in December and the recovery in January were partly due to a freakish change in the weather, from winter blizzards to an Indian summer.

The weather this year, which provoked one analyst to remark that seasonally adjusted, the January temperature in Chicago was over 100 degrees (Fahrenheit, of course), continues to make nonsense of any attempt to correct for seasonal trends.

When the Commerce Department made its announcement the temperature in Washington was just below 90 degrees, some 15 degrees above the previous record for the date – or perhaps 115 degrees, seasonally adjusted.

The same heatwave quickly cleared the previous week's snow from the streets of New York.

● The Commerce Department also announced that the US current account deficit in 1989 was \$105.9bn, compared with a 1988 deficit of \$126.5bn. These figures are closely comparable with the merchandise trade figures announced earlier.

They show that the invisible balance, which was widely expected to deteriorate as foreign debt service and dividend payments rose, has in fact improved by \$6.3bn between the two years, despite a 3 per cent dollar appreciation in the year. A higher dollar reduces the reported value of US foreign investments, and the adjustment is treated as an outflow.

Haiti picks interim leader

By Canute James in *Kingston*

MRS Ertha Pascal-Trouillot, a judge in Haiti's Supreme Court, was sworn in yesterday as head of the country's interim government, with a mandate to organise elections and hand over to a new government by next February.

The selection of the interim administration by opposition political parties and Gen Herard Abraham, the head of the army, followed the flight to the US early on Monday of Gen Prosper Avril, who headed a military government for the past 18 months. Gen Avril resigned on Saturday after a week of anti-government protests in which about 20 people were killed.

Mrs Pascal-Trouillot, 43, is Haiti's first female head of state. Described by Haitian officials as being a campaigner for an improvement in the lot of Haitian women, she has written extensively on legal matters. The US administration has greeted the appointment.

El Salvador rebels seek negotiated settlement

By Richard Johns in Mexico City

THE Farabundo Marti National Liberation Front (FMLN), El Salvador's left-wing guerrilla group, is actively pursuing a negotiated settlement in El Salvador through the United Nations, the group said yesterday.

Mr Schafik Jorge Handal, one of the movement's five comandantes, made the group's first public pronouncement since the defeat of the Sandinista regime in Nicaragua. The FMLN has been partly dependent on Sandinista support.

The FMLN is concentrating on building up diplomatic pressure to bring about a resumption of peace talks, Mr Handal said. The right-wing ARENA government of Mr Adolfo Cristiani has expressed its opposiion to UN involvement, even though Washington favours it.

In what was termed a unilateral initiative the FMLN also announced a limitation of hostilities from midnight on Friday with the suspension of sabotage against public transport, commercial establishments, and telephone communications as well as attacks on public servants and civilians.

Mr Handal stressed that the struggle against El Salvador's armed and paramilitary forces would continue.

He said that El Salvador's armed forces should not interpret what had happened in Nicaragua "in the wrong way" and that the country's "euphoric fascist" elements in his country were misguided if they thought that Mrs Violeta Chamorro's triumph in the Nicaraguan elections last month meant the end of the FMLN.

Arms supplies were not a problem, Mr Handal claimed, saying that the FMLN had not recently been receiving arms from the Sandinistas.

On the diplomatic front Mr Salvador Sanchez Ceren, one of the FMLN hierarchy, stressed that the FMLN had been in "constant contact" with Mr Alvaro de Soto, the representative of Mr Javier Perez de Cuellar, UN Secretary-General.

Bridge widens across the Atlantic

Regular talks will strengthen EC-US relations, writes **Peter Riddell**

WHEN Mr Charles Haughey, the Irish Prime Minister and current president of the European Council, recently talked of "building a broader bridge across the Atlantic", he was reflecting a mutual desire in the US and the European Council for a closer relationship.

The agreement reached between Mr Haughey and President George Bush for more formal and regular (half-yearly) meetings at both head of government and foreign minister level is only the first specific result of ideas floated last May by Mr Bush and in more detail in mid-December by Mr James Baker, the US Secretary of State. Mr Baker called then for the two sides to "work together to achieve, whether in treaty or some other form, a significantly strengthened set of institutional and consultative links".

US policy shifted last year towards welcoming European integration, both the creation of the single market after 1992 and the changes flowing from the upheavals in eastern Europe and German unification. President Bush is interested in Europe in a way former President Ronald Reagan never was: he met Mr Jacques Delors, the European Commission president, three times last year.

The Bush Administration not only believes that a continued US presence is a force for stability (the Nato side), but has also not wanted to be excluded by a resurgent Europe (the EC side). Talk of a "new Atlanticism" has reflected US apprehension and a desire to keep a foothold in Europe, with a prior say in discussions.

Mr Baker's trial balloon was almost universally welcomed, notably by Mr Delors and Mr Douglas Hurd, the British Foreign Secretary. However, there are still uncertainties about implementation. This reflects not only varying national views – with the French cautious about going too fast – but also the differing roles of the council of ministers and the commission.

Talk of a "new Atlanticism" has reflected US apprehension and a desire to keep a foothold in Europe with a prior say in discussions

Since mid-December the US has deliberately kept a low profile publicly over its initiative to allow the Europeans to come up with ideas. These have now surfaced in the agreement with Mr Haughey covering political co-operation. There will also be closer integration at the official level, involving representatives of the troika, the present, immediate past and future presidents of the council of ministers.

For instance, before political co-operation meetings of EC foreign ministers there might be contacts to obtain US views. For instance, the US would like to have its views on, say, central America, South Africa or the Middle East at least heard properly before the council of ministers issues a declaration. EC comments on Latin America have been a particular cause of friction.

In parallel, at the commission level, Mr Delors and senior colleagues will visit Washington in late April. This is intended to develop half-yearly high-level meetings between commissioners and members of the US cabinet.

There are already closer contacts – for instance, Mrs Carla Hills, the US Trade Representative, and Mr Frans Andriessen, the commission vice-president, see each other monthly, while the US has increased the seniority of the inter-agency task force which handles EC issues.

With all the problems of eastern Europe and 1992, the *commission has been reluctant* to institutionalise closer ties by some form of treaty or agreement in the immediate future. Mr Andriessen said recently in Washington that "a more ad hoc pragmatic approach would seem to be the more appropriate option".

"It is possible to deepen the relationship by building on present structures, by more frequent and better prepared ministerial level meetings, by more intensive exchange of views and information (not only on trade, but also the environment and education)."

The EC is also concerned that such co-operation should be balanced and a two-way street, not just the US seeking to influence Brussels decisions.

The US believes that in the long-term treaties might be useful on some commercial and scientific matters since in practice many of the treaties which Washington has with the 12 member countries are being superseded by the shift of powers to Brussels.

All these suggestions reflect how seriously both sides take the relationship, but much will in practice depend, as before, on the extent of trade tensions. While US fears over "Fortress Europe" have abated, there have recently been rumblings in Congress over procurement rules requiring specific EC content, a lack of transparency in standards setting, and over rules of origin. Yet these US/EC *problems are dwarfed* by the mutual suspicion and lack of understanding between the US and Japan.

Argentine central bank governor steps down

By Gary Mead in Buenos Aires

MR Enrique Folcini, Argentina's central bank governor, has forced his resignation on a reluctant Peronist government, thus making way for the fifth governor in the 10 months since President Carlos Menem took office.

Mr Folcini first presented his resignation to Mr Antonio Erman Gonzalez, Economy Minister, on March 7. Mr Gonzalez spent a week considering the case but late on Monday evening Mr Folcini's departure was finally accepted. Mr Folcini, who had been central bank governor for a period under the 1976-83 military dictatorship, lasted less than two months on this occasion.

Mr Folcini did not go quietly, but in his resignation letter accused unnamed ministers of echoing protests made by "vested business interests" against government economic policy.

While there was no immediate indication of a successor, it appeared likely yesterday that Mr Gonzalez would take charge of the central bank. Mr Gonzalez would thus concentrate considerable power in his own hands. Besides the Economy portfolio he recently also took charge of the financial operations of the Public Works ministry.

Brazil judge spearheads foreign affairs effort

By Ivo Dawnay in Rio de Janeiro

MR Fernando Collor de Mello, Brazil's president-elect, has named a little known Supreme Court judge to lead the country back into the international community as its new foreign minister.

Mr Francisco Rezek, widely praised as president of the electoral tribunal that supervised last year's presidential elections, is to spearhead initiatives aimed at giving Brazil a bigger world role.

Mr Collor, who takes office tomorrow, wishes to see his country as a recognised member of the developed world and not merely a leader of the underdeveloped one.

That may be too ambitious a target for Mr Rezek, 46, who studied international law at the Sorbonne and was due to take on the presidency of the Supreme Court after reaching the apex of the Brazilian legal profession at the age of 39.

Nevertheless, it will require little effort to improve Brazil's showing abroad after 21 years in the shadows under the military regime.

Only in the General Agreement on Tariffs and Trade has the Brazilian voice carried real weight – and there as a champion of the developing world's interest against those of the US, the EC and Japan.

AMERICAN NEWS

US wants break-up of contras, Ortega says

By Tim Coone in Managua

THE US is pressing for a rapid demobilisation of the Nicaraguan anti-Sandinista Contra forces, according to President Daniel Ortega.

US Vice President Dan Quayle and President Ortega met on Monday to discuss the issue in Chile. It was the first official high-level contact between the two governments since the Republicans took office in 1981 in the US and began to put intense economic and military pressure on the Sandinista government.

According to President Ortega, the US Vice President had assured him that efforts were now underway to demobilise the US-backed Contra rebels before the investiture of Mrs Violeta Barrios de Chamorro on April 25.

President Ortega had earlier warned that there would not be an orderly transfer of power if the 12,000 strong Contra army was not disbanded by this date.

In an interview published in the Sandinista party newspaper "Barricada" yesterday, President Ortega is quoted as saying "Vice President Quayle told me that they are working on an idea such that the counter-revolutionaries (the Contras) will no longer be in existence by April 25. He expressed his determination to effect this and I consider his position to be very constructive."

According to the press office of Mrs Chamorro in Managua, the US President George Bush also assured Mrs Chamorro on Monday by telephone that he is in favour of "an immediate demobilisation" of the Contras and that efforts were being made to that end.

One of the Contra's leading field commanders, Commandante Ruben, is due to hold talks in Washington today with representatives of the UN and the Organisation of American States, which are charged with supervising the demobilisation plan, as set out in the Central American peace plan.

The Nicaraguan National Assembly passed a law on Saturday granting amnesty to public officials who may have committed crimes such as bribery and embezzlement during 10 years of Sandinista rule.

Deputies in the Sandinista-dominated legislature said the law, passed by a vote of 66-3-3, would protect outgoing officials from possible "witch hunts". The law also grants amnesty for the US-backed Contra rebels as well as for possible crimes committed by Sandinista soldiers during their war with the rebels.

Some Nicaraguan battles have just begun

Tim Coone visits an area where Sandinistas and Contras still confront each other

THE Sandino museum in the remote northern Nicaraguan town of San Rafael del Norte, is sited at the one-time headquarters of General Augusto Cesar Sandino's army of nationalist rebels.

The museum's aging wooden floors sag under the weight of visitors who drop in to view the yellowing photographs of General Sandino's war against US Marines that occupied Nicaragua in the 1920s and 1930s.

Outside, all the houses in the street bear the scars of the recent electoral campaign. Graffiti and posters of the ruling Sandinista party, the FSLN (named in the memory of General Sandino), and the US-backed opposition alliance UNO smother the walls.

The young woman curator of the museum wears a "Daniel Ortega for President" T-shirt. "We lost the municipal elections here to UNO," she said. "They will probably close the museum now and I will lose my job."

Outside San Rafael del Norte, US-backed Contra rebels are regrouping in the hills. No one knows yet whether the present war is over even though UNO won last month's elections. FSLN leaders say they will not hand over power on April 25 if the Contras do not demobilise. The Contras say they will not demobilise unless the Sandinista-controlled army does as well.

Two hours down dirt roads from San Rafael del Norte brings is the farming cooperative of Monterrey. Most of its 450 members, including dependents, are peasants. And it has been attacked three times by the Contras in recent years.

All the members, down to the 11-year old children, carry automatic rifles. "Our weapons are our guarantee. Without them they could take our lands away," co-op president Mr Sergio Navarro, smiles when asked if they would accept orders from the new government to disarm.

The same story is repeated on co-operatives throughout the war zones. Most co-op members are former wage labourers who had no land of their own. They have everything to lose should UNO fail to keep its electoral promise that the Sandinistas' agrarian reform will not be rolled back.

General Sandino had fought for the rights of landless peasants as well as against US intervention in Nicaragua. His assassination in 1934 following his troops' disarmament, the destruction of co-operatives he had established in the north of the country, and the subsequent establishment of a dictatorship until the 1979 revolution, is a lesson learnt by every Nicaraguan schoolchild. History imbues present-day politics.

The father of the present Interior Minister, Mr Tomas Borge, was a general in General Sandino's army. Many modern day co-operatives founded since the 1979 revolution were established on lands expropriated from people linked to the former dictatorship. Some powerful figures within the UNO alliance now want those lands returned to their former owners.

A few miles away from Monterrey a farm owned by a large landowner and businessmen was taken over by its 120-strong workforce two days after the February 25 elections. "When the results became known, the foreman came around saying 'you Sandinistas will have to go. Only UNO people are going to work here now'. So we decided to take over the farm" said one of the workforce leaders.

Most are battle-hardened veterans of the nine-year war against the Contras. As farm labourers they earn on average $1 per day. Automatic rifles are shouldered with determination and confidence.

"This is now a co-operative and it is going to stay that way" said Mr Antonio Lasso the newly elected leader of the workforce militia.

"The farm owner, Mr Emilio Molinas, says "Coffee is the best business in the world" but he is not in a hurry to retaliate. He owns one of the biggest coffee-processing plants in Nicaragua. He denies that anyone has been threatened with dismissal on his farm, and is awaiting the installation of the next government to begin legal precedings against the occupation.

How he will recover his 170 hectare farm which he says would earn him $100,000 in profits this year remains in doubt. If the army and police remain in Sandinista hands, who is going to force the workers to return his property? "If things carry on like this the Contras are the only option," he said.

Contra and Sandinista fighters shake hands in 1989 but they are still confronting each other after the elections

Over on the Pacific coast, lies Nicaragua's biggest factory, the San Antonio sugar factory with 5,300 employees. It is a state-run enterprise since it was expropriated in 1988 from one of the country's wealthiest families following accusations that state bank credits for the factory were being diverted to other family businesses.

A principal plank of UNO's platform is to denationalise state-run enterprises. Mr Francisco Membreno, the head of the Sandinista-controlled union at the factory said "We face a tough battle ahead. Our advantage though is that unlike in the days of Somoza, the police will not repress us if we strike."

Under Nicaragua's new constitution, the police and army bear the Sandinista prefix. Property, be it private, state or cooperative "has a social function." Trade unions are permitted a say in management.

UNO did not win a sufficient majority in the National Assembly to reform the constitution. The Contras, while armed, remain an alternative, albeit unconstitutional option for changing the rules of the game. Future disputes over land and property, and how they will be resolved, thus lie at the heart of the delicate negotiations taking place over the transition of power.

The onus is now on the armed forces and police to prove their impartiality. e7

Bank says Mexico must cut demand and private investment

By Richard Johns in Mexico City

A REDUCTION in consumption and a slowdown in private investment will be necessary if Mexico is to avoid strong inflationary pressures, Banco Nacional de Mexico (Banamex) warns in its latest monthly report on the economy.

At the same time a 3-3.5 per cent growth in 1990 will depend on three external factors: maintenance of an oil price higher than the $18 projected in the state budget, a continued fall in international interest rates and increased capital repatriation to compensate for lower than hoped for foreign investment.

Over the past three months inflation has risen by 10.5 per cent following the resumption of economic growth last year, now officially calculated at 3 per cent. The government's objective for 1990 is 3.5 per cent. The assumption of Banamex, Mexico's largest commercial bank, is that control of inflation, partly through limiting the devaluation of the peso against the dollar to one peso a day, will remain central to government economic policy.

Banamex does not foresee a fall in real interest rates until the end of March or April - provided that inflation declines from the high levels reached last winter. It forecasts an average of 16 per cent for the year as a whole.

As a result of the reduction of Mexico's debt to the commercial bank creditors and the $ 1.4bn saving in interest payments, Banamex expects an improvement in Mexico's current account deficit for 1990 which it estimates at about $4.2bn (compared with one of $3.9bn in the January-September period of 1989).

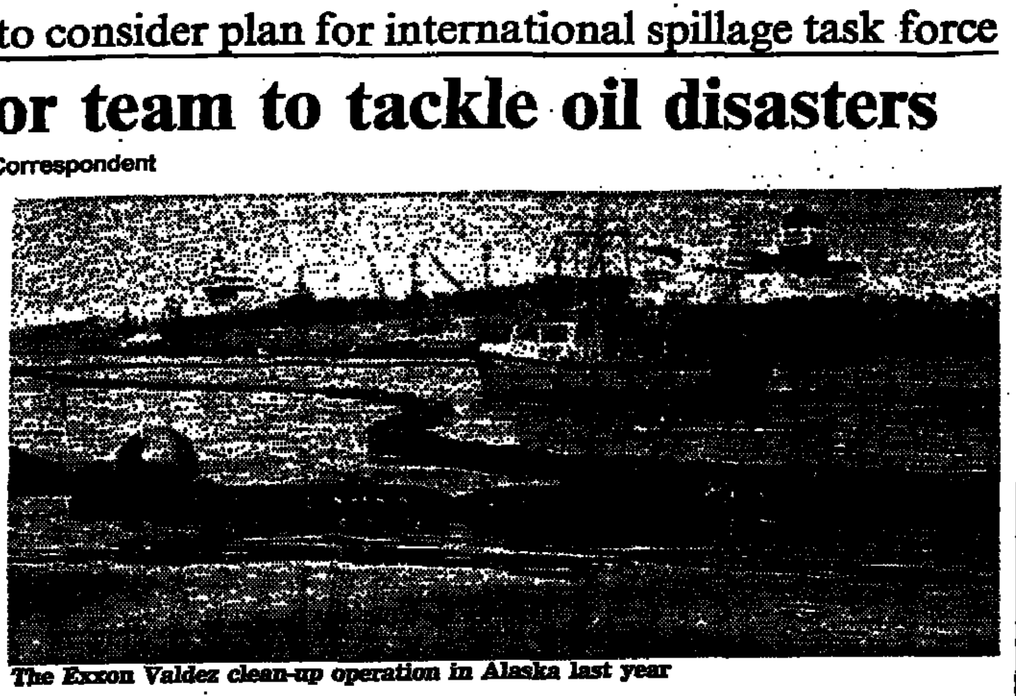
It will increase, however, by $450m for every dollar fall in Mexico's average per barrel oil earnings below $13, says the report.

In their latest macroeconomic study the consultants Ciemex-Wharton also reflect concern about too fast a recovery in productive activity leading to more inflation and problems with the current account.

Maritime group to consider plan for international spillage task force

US calls for team to tackle oil disasters

By John Hunt, Environment Correspondent



The Exxon Valdez clean-up operation in Alaska last year

PROPOSALS for an international emergency system to deal swiftly with major oil tanker spillages such as the Exxon Valdez tragedy in Alaska are likely to emerge from discussions at the International Maritime Organisation in London this week.

About 70 member states on the IMO Marine Environment Protection Committee are considering a draft convention put forward by the United States for "prompt and effective" international co-operation to deal swiftly with such incidents.

Further work will be done on the proposals in May and they are expected to be adopted in *November at a full meeting of* the 134-member IMO, which is a UN agency.

There have been five large oil spillages in recent years: the Torrey Canyon lost 720,000 barrels off Cornwall in March 1967 and in March 1978 1.6 barrels were spilled from the Amoco Cadiz off Brittany. Last year's Exxon Valdez disaster in March when 267,000 barrels were lost was followed in December with disasters involving Kharg-5 off Morocco and Aragon off Madeira in which 560,000 and 175,000 barrels were lost respectively.

There are already some emergency centres around the world to deal with oil slicks. The main one is the Oil Spillage Response Centre in Southampton which is supported by the major oil companies.

But the convention would establish a worldwide network of centres, fully-equipped with the latest clean-up technology.

The members states would be pledged to a system of mutual aid in the event of major spillages, each country would establish a national contingency plan for combatting oil pollution and would train pollution response personnel.

Tankers of member states would have to carry an oil spill response contingency plan on board. This would contain information which the master would have to provide in the event of an accident.

The IMO committee is also debating proposals for stricter control of air pollution from ships. A Norwegian investigation indicated that ships contribute 40 per cent of Norway's emissions of nitrogen oxides and 14 per cent of sulphur dioxide emissions.

Friends of the Earth, the environmental organisation, has made a submission to the meeting, calling for an end to the use of CFCs (chlorofluorocarbons) and halons in ships. These substances contribute to the thinning of the ozone layer. CFCs are used in refrigeration and halons in fire extinguishers.

FoE, which has observer status at the meeting, is also calling for more effective legal powers to prosecute ships making illegal discharges. A survey of 300 discharges reported in the North Sea showed that only 18 prosecutions had resulted. Fines, often of only several hundred pounds, were described by FoE as insignificant and in some cases there was no record that they had been paid.

Budget talk is dish of the day

Sara Webb samples a British Sunday lunch with a financial flavour

PATRICK waded through a mound of bills in buff envelopes, and the poll tax registration reminders that had collected at his front door.

He dreaded the prospect of Sunday lunch with his younger brother Alastair, 30, a banker, and sister-in-law Candida. Their conversation invariably centred on money.

At this time of year, they were bound to air their views on what might be in the Budget. Patrick wondered why the money-making genes in the family had gone to Alastair. In fact, it was probably not all inherent; some credit could go to the Thatcher Government, which had brought down the top rate of income tax from 83 per cent to 40 per cent. Alastair had done well.

Patrick, a teacher, had hoped the basic rate would come down from 25 per cent to 20 per cent as the Chancellor had promised, but Alastair maintained there was little chance of further income tax cuts in this year's Budget.

"Tax reform has been one of the major changes in personal finance under Thatcher," said Alastair over lunch. "Income tax has come down considerably. Capital Gains Tax, levied at a rate of 30 per cent up to April 1988, is now either 25 per cent or 40 per cent, both with a £5,000 annual exemption. Many investors now regard CGT as the tax to avoid and only sell sufficient assets to use up the allowance.

"Capital transfer tax has been replaced with inheritance tax, which is more swingeing and harder to avoid," Alastair droned on.

"Investment income surcharge has been abolished, with the result that people now are probably more heavily taxed on their earned income than on their unearned income. It used to be the other way around."

Patrick's eyes were beginning to glaze over, but his brother continued: "The Government has tried to get rid of exemptions and tax breaks in pursuit of a simpler tax system. Probably the most significant change, for married couples at least, is the introduction of independent taxation from this April.

"This could cost the Government at least £500m in lost revenue, so the Chancellor may not feel too generous on the tax and allowance front now. I doubt whether personal allowances will even go up in line with inflation this year."

Candida, who was well aware of the impending advantages of independent taxation, had already opened an offshore account where she was paid interest gross. "I've already persuaded Alastair to transfer some of his assets to my name," she said. Patrick regarded his sister-in-law as a gold-digger.

Alastair enjoyed the trappings of wealth: a company car, a perk that may be more heavily taxed in this year's budget; a mobile telephone; and free medical insurance. He was even able to pay for his parents to have private medical insurance under the Government's new scheme because that would provide him with tax relief on premiums.

Patrick responded testily to the idea of a personal pension on his teacher's salary.

"They're very popular, not just among executives," said Alastair. "All you have to do is contract out of Serps and let someone with a good investment record manage the pension for you."

Thatcher's twin tenets of wider share and home ownership had had little effect on Patrick, although he had felt less baffled by the stock market than by pensions. He had even risked some of his savings in a couple of privatisation issues.

While Alastair "stagged" the issues and made huge profits on multiple applications (in the names of various friends, which he admitted was "dodgy"), Patrick was left feeling confused and,

by the time his share certificates arrived, the initial premium had usually decreased and the broker's commission lopped a chunk off the gain.

He gathered up the dishes despondently. "What you need is a PEP," said Alastair. "Everyone's got them – sales have surged since the Government introduced them two years ago. It's a tax-free scheme designed to encourage people to buy shares, unit trusts and investment trusts.

"All your gains are free of income tax and capital gains tax, so you can use your tax allowance for other investments."

Alastair cast his eyes critically around Patrick's rented flat. "When are you going to buy your own place?" he inquired.

"Property is an investment, Patrick. You get tax relief on your interest payments. The Chancellor might even raise the amount which would qualify for Miras (mortgage interest relief at source) from the present ceiling of £30,000, which has been unchanged for years."

Alastair had bought a flat in the early 1980s and doubled his money on it, making enough profit to afford a good house.

Patrick, however, was deterred by the high mortgage payments. Anyway, in his view it seemed that the Chancellor had little scope for manoeuvre on personal finance, given the current economic conditions.

Homeless figures 'doubled' in decade

DISUSED schools and hospitals should be turned into temporary accommodation for the homeless, a report said today, writes PA in London.

The indpendent Joseph Rowntree Memorial Trust said the homelessness problem had doubled since Mrs Thatcher came to power.

Redundant public buildings should be opened immediately "to give homeless people somewhere to sleep other than the streets", its report urged.

It also called for a hostel building programme, followed by a "crash programme" of housing for people sleeping rough.

"The numbers of people in Britain experiencing or threatened by homelessness have multiplied many times since the 1960s, have doubled since 1979 and are still rising," said the report.

"Britain has not had a planned comprehensive housing policy for the past decade.

"Responsibility for meeting the general demand has been relegated to the private sector ... while the output of rented social housing has been severely depleted.

"The policy has failed to ensure an adequate supply of houses in the places where they are most needed and at rents or prices that people on average and below-average incomes can afford."

The report was written by by Professor John Greve, of York University's Institute for Research in the Social Sciences.

Later, Labour *leader* Neil Kinnock said high interest rates and the Government's 75% cut in housing investment intensified the pressures that lead to families breaking up.

Mr Kinnock said fewer homes had been built in Britain in the last 10 years *than in any peacetime decade* since the end of the First World War. Families living in bed and breakfast and temporary accommodation in London would now fill a small town.

Government attacked over policy on Japan

By Ian Hamilton Fazey, Northern Correspondent

MR DAVID HOWELL, the former Labour Cabinet minister, yesterday attacked the Government for a lack of policy towards Japan and for threatening investor confidence by its uncertainty towards European integration.

Mr Howell, who is chairman of the Commons foreign affairs committee, warned that Japanese investment might be diverted into emergent East European.

He told a conference of the Anglo-Japanese Economic Institute in Newcastle-upon-Tyne that Japanese investment in Britain now stood at $10bn, twice as much as in any other European country. Japanese holdings had risen to 3 per cent of Britain's fixed investment.

Yet there was a "devastating weakness" among Britain's foreign policy makers about Anglo-Japanese relations. "It's almost as though these areas of thought had been cut out of our minds. Japanese issues are considered too marginal for our policy makers to grasp," Mr Howell said.

"There is blissful unawareness in London that Japan is moving to position itself in the post-superpower age. A Japan seeking greater independence from its US linkages is seeking common cause with a greater Europe. Britain is the linking buckle, yet we do not seem to be aware of our potential role. We sleep while others weave. It is time we awoke," he added.

Mr Tomonori Naruse, resident managing director for Europe of the Bank of Tokyo, said: "In spite of the fact that Mrs Thatcher has strong objections to the European Monetary System, the UK still has a very great charm for Japan. *Change in Eastern Europe is* a more important threat to the UK. Even Spain, which has great attractions for inward investors, is worried about Eastern Europe."

Subsidies for Ulster electricity to end

By Maurice Samuelson

THE GOVERNMENT has announced that it is no longer prepared to subsidise Northern Ireland's electricity prices to prevent them exceeding those of customers in England and Wales.

The decision was revealed yesterday by Mr Peter Brooke, the Northern Ireland Secretary, who said that the subsidies had in any case been unnecessary for the last few years thanks to the low price of oil and that it would also cease to be appropriate when the electricity industry was privatised.

The subsidies, which at times reached £100m a year, go back to the early 1980s, when Northern Ireland's electricity industry, which consists predominantly of out-dated oil-fired generating stations, was badly hit by the surge in world oil prices.

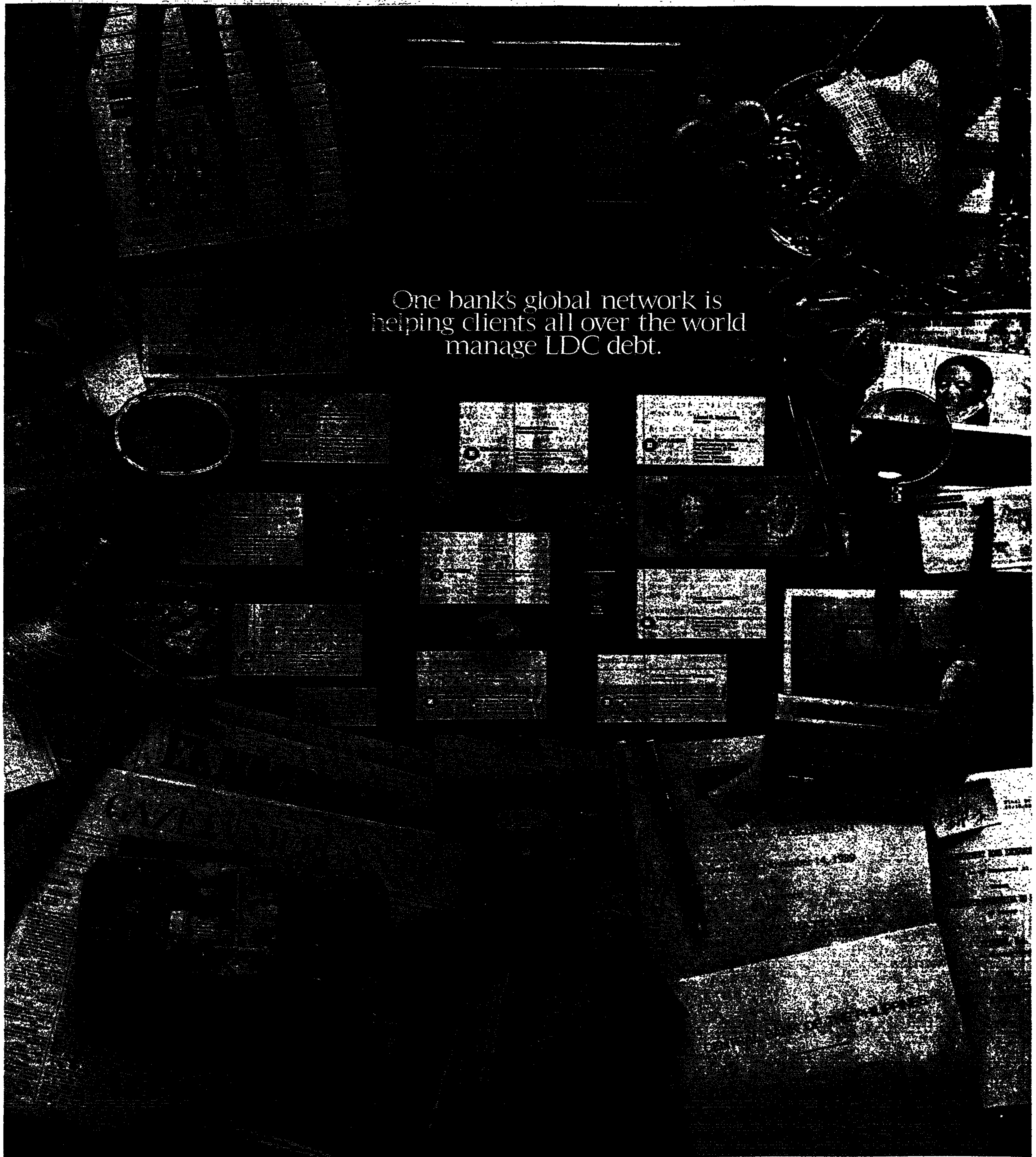
Mr Brooke, in a Commons written answer, said the tariff subsidy arrangemenet would be ended from April 1, when Northern Ireland Electricity (NIE) would be expected to resume setting tariffs on the basis of its own costs rather than by reference to area board tariffs in Britain.

Since the fall in world oil prices, in 1986, there had been no need for NIE to be subsidised.

Mr Brooke also announced that Ulster electricity tariffs would go up by around 8 per cent on average from April 1, roughly comparable with anticipated increases in England and Wales.

Although NIE is due to be privatised, the Government has not yet announced when it will take place and whether or not the company would retain its present unitary structure or be split up.

There is also uncertainty about the choice of new generating capacity to replace its elderly power stations. The main choices, over which ministers and officials have deliberated for the past five years, are between new capacity to burn imported coal or indigenous lignite, or to import electricity by subsea cable from Scotland.


One bank's global network is
helping clients all over the world
manage LDC debt.

New editor at the helm of the Thunderer

By Richard Donkin

MR SIMON JENKINS, the newspaper columnist, has been appointed editor of The Times of London.

He is seen as the man most likely to restore a newspaper, whose editorials earned it the affectionate nickname of the Thunderer, to its position as Britain's foremost journal of record.

In recent years the out-going editor, Mr Charles Wilson, has sharpened its news content but alienated some of the English establishment who would have preferred fewer diseases and disasters with their morning tea.

Most noticeably The Times mailbag is not what it was. Graham Greene, the novelist, who as a matter of habit always wrote to The Times, switched his allegiencies to a newly launched rival - The Independent.

If Mr Wilson has upset some of the Times' more delicate readers, he commands a debt of loyalty from Mr Rupert Murdoch, chief executive of News Corporation.

It was Mr Wilson who took The Times out of Fleet Street, against concerted opposition from the printing unions and turned round the ailing fortunes of the Chicago Sun-Times in 1984.

He has been appointed to the News International board where he will take over responsibility for the development of News International newspapers internationally.

Mr Jenkins, a former political editor of the Economist magazine, made his mark in London's Evening Standard writing on the quality of city life and architecture which struck a chord with readers.

THE GUINNESS TRIAL

President denies board closed ranks against Saunders

LORD IVEAGH, the president of Guinness, yesterday denied that the company's directors had closed ranks against Mr Ernest Saunders, its chairman and chief executive, after Department of Trade and Industry inspectors began investigating the company.

Giving evidence at the Guinness trial at Southwark Crown Court, Lord Iveagh also denied distorting events so as to depict Mr Saunders in the worst possible light.

When Mr Richard Ferguson, for Mr Saunders, pointed to differences between Lord Iveagh's and Mr Saunders' recollection of events, Lord Iveagh replied: "I fear it must be Mr Saunders's word against mine."

Mr Saunders; Mr Gerald Ronson, the Heron group chairman; Mr Anthony Parnes, a stockbroker, and Sir Jack Lyons, the financier, have denied charges arising from an allegedly unlawful share support operation mounted by Guinness during its takeover battle with Argyll for Distillers.

Lord Iveagh was cross-examined by Mr Ferguson about his claim that after the appointmemnt of DTI inspectors Mr Saunders had told Lord Iveagh he wanted to move Guinness from Britain to Ireland.

Mr Ferguson suggested it was "nonsense" to say that Mr Saunders had mentioned that. He asked if it had been Mr Thomas Ward, another Guinness director.

Had it been Mr Thomas Ward, another Guinness director, he asked. No, said Lord Iveagh.

It certainly had not been Mr Saunders, Mr Ferguson said, adding that Mr Saunders denied having said that he wanted to "tell all" to Lord Iveagh. He suggested there was an in-between possibility: that neither Lord Iveagh nor Mr Saunders was telling lies but that "your memory is playing you false." Lord Iveagh denied that.

Mr Ferguson said: "The alternative suggestion is that you are consciously distorting what happened so as to depict Mr Saunders in the worst possible light, and the motive for that is that there has been a joining of ranks by Guinness against Mr Saunders." Lord Iveagh said: "No sir. I am telling the truth."

The trial continues today.

Banks face new law on credit card industry

By David Barchard

BANKS are to be compelled by law to adopt the recommendations of last summer's Monopolies and Mergers Commission report on the credit card industry, Mr John Redwood, Corporate Affairs Minister, announced yesterday.

The move is the latest of a series of tough moves by Mr Nicholas Ridley, the Trade and Industry Secretary, towards the credit card industry.

Mr Redwood said the decision was made because of possible delays while Visa International, one of the two main credit card networks, waited for a judicial review over whether or not the MMC findings applied to it.

Visa International immediately attacked Mr Redwood's decision, which it said was an unnecessary step.

"We are extremely concerned about arbitrary decisions currently coming from the DTI and will be seeking an urgent meeting with Mr Redwood to discuss the situation," said Ms Carol Walsh, of Visa International.

Visa is directly affected by the MMC's recommendation that members of credit card networks should be able to sign up retailers as soon as they join and not have to wait – as National Westminster and Midland Bank did after joining Visa – until they have a large number of card-holding customers.

The other recommendation would allow retailers to give a discount to customers who pay in cash rather than by credit card.

Visa said it had heard yesterday that its application for judicial review will be heard on May 8. It was unwilling to give an undertaking until after it knew the result, but the Government had been aware that it was applying for an expedited hearing.

The banks have assumed until now that the MMC recommendations would be implemented through a set of voluntary agreements between Sir Gordon Borrie, the Director-General of *Fair Trading*, and individual banks and credit card networks.

Lloyds Bank, one of the largest Visa members in the UK and an unsuccessful applicant to join the rival Switch electronic debit card, seemed to distance itself from Visa on this issue.

"Lloyds has always been adamant about the need to press for an open market for all the credit and debit card schemes," said Mr Gerald Hawkins, assistant general manager.

Consultation for a statutory order will take at least a month and will then be followed by several weeks of drafting, but it looks possible that the order could be in force by the early summer.

Regions to get bigger say in UK arts funding

By Antony Thorncroft

SWEEPING changes are to made in the organisation and funding of the arts in the UK.

The proposals, announced yesterday by Mr Richard Luce, the Arts Minister, will reduce the power of the Arts Council in London and increase the influence of the regional arts associations, which will be renamed regional arts boards.

"I am seeking three things," said Mr Luce. "Greater devolution to the regions; stronger accountability from the regions to the Arts Council; and a council that concentrates on strategic decision taking." The plans are expected to be become effective by April 1993.

At the moment the Arts Council directly funds about 120 national and regional arts companies, with the regional arts associations looking after the smaller local companies.

By April 1993 the council will be responsible only for the Royal Opera House, Covent Garden; the Royal National Theatre; the Royal Shakespeare Company; the English National Opera; the South Bank Centre; and perhaps a few large arts organisations such as English National Ballet.

Mr Peter Palumbo, the chairman of the Arts Council, declined to comment on the minister's statement. The council will give its reaction after its next meeting later this month.

Assembly factory could be in UK

Toyota may set up second Europe plant

By John Griffiths

THE chairman of Toyota Motor's UK operations said yesterday that the company was considering setting up a second car assembly plant in Europe.

Mr Junji Numata said that the company was to seek collaborative projects with Europe's indigenous car makers with a view *to exporting* outside Europe. . He said no formal decision had been made on another plant, but said the UK would again be a leading contender.

Toyota is to begin building a £700m car plant at Burnaston, near Derby in the Midlands in June and a £140m engine factory on Deeside in north Wales. The Burnaston plant will come on stream in 1992 and is scheduled to be producing 200,000 cars a year by 1994-5. Eventually, said Mr Numata, Toyota might follow Nissan in exporting some of its UK production to Japan. Burnaston will employ 3,000 people and the Deeside factory 300.

"I can confirm that our plans to build the two plants in the UK *are not the end of our* investment in Europe," Mr Numata said.

"We would like to see an opportunity to expand further in Europe in the long term," he said.

"We are very confident that the UK is providing us with a very competitive base for manufacturing cars, particularly from the point of view of labour, management and engineering skills."

Another option is for the Burnaston plant to be expanded to take a second model range. This was unlikely within the next five years, said Mr Numata.

He refused to be drawn on which European manufacturers are seen by Toyota as *potential partners and said* that while he expected "only a very few" of Toyota's Japanese component suppliers to set up in Europe, it was likely that European companies seeking some key component supply agreements would have to sign technical collaboration agreements with Toyota's Japanese suppliers.

He said Toyota has sent teams of purchasing agents to some 500 component makers in Europe to discuss potential supplies. "We have found European suppliers very capable of accommodating us on quality and price," he said.

However, he indicated that the lead times for many of these companies to produce components is too long by *Toyota standards, and that it* would be necessary to speed up development times.

He refused to be drawn on the current row over how Japanese "transplant" operations in the UK should be treated by the European Community. France and Italy maintain that cars from these plants should be subjected to similar constraints as cars imported directly from Japan.

Irish relationship with UK disrupted by extradition row

By Ralph Atkins

ONCE again an extradition row threatens to spoil the frequently tense, sometimes tortured, seldom smooth, relationship between the UK and the Irish Republic.

The Dublin Supreme Court ruling yesterday against the extradition to Northern Ireland of two terrorist suspects who escaped from the Maze (pictured above), incensed the British Government and infuriated Unionists MPs and Conservative MPs.

But – even if the circumstances are different – the reaction has a familiar ring.

Less than 18 months ago, Mrs Margaret Thatcher launched a scathing attack on the Irish government over the failure to extradite Father Patrick Ryan, an Irish priest wanted in Britain for alleged terrorist offences.

The Belgian Government – also attacked by the British Prime Minister – had declined to hand Father Ryan over to Britain and instead deported him to Irish Republic, his country of origin.

When Britain requested his surrender to Irish authorities for trial in the UK they were thwarted by the Irish view that no fair trial could be guaranteed to Father Ryan since British politicians had made public statements that assumed his involvement with the organisers of terrorism.

Only a few months before the Ryan controversy, an Irish district justice threw out a British extradition request for Mr Patrick McVeigh, wanted in connection with a series of IRA bombings in London in the early 1980s.

That decision, too, was greeted with deep dismay and frustration from both Government and opposition MPs.

Mr Tom King, then Northern Ireland Secretary, described the decision as a "significant setback".

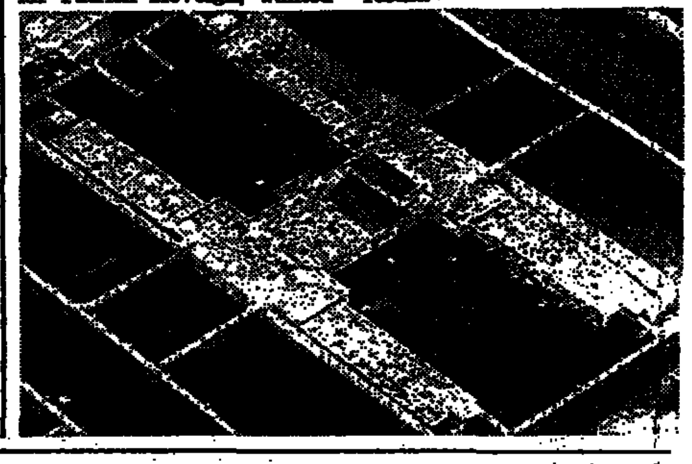
There have also been rumbling disputes between the two governments over extradition procedures.

While both are always anxious to pledge themselves to the defeat of terrorism, the extradition of terrorist suspects has floundered on apparent technicalities.

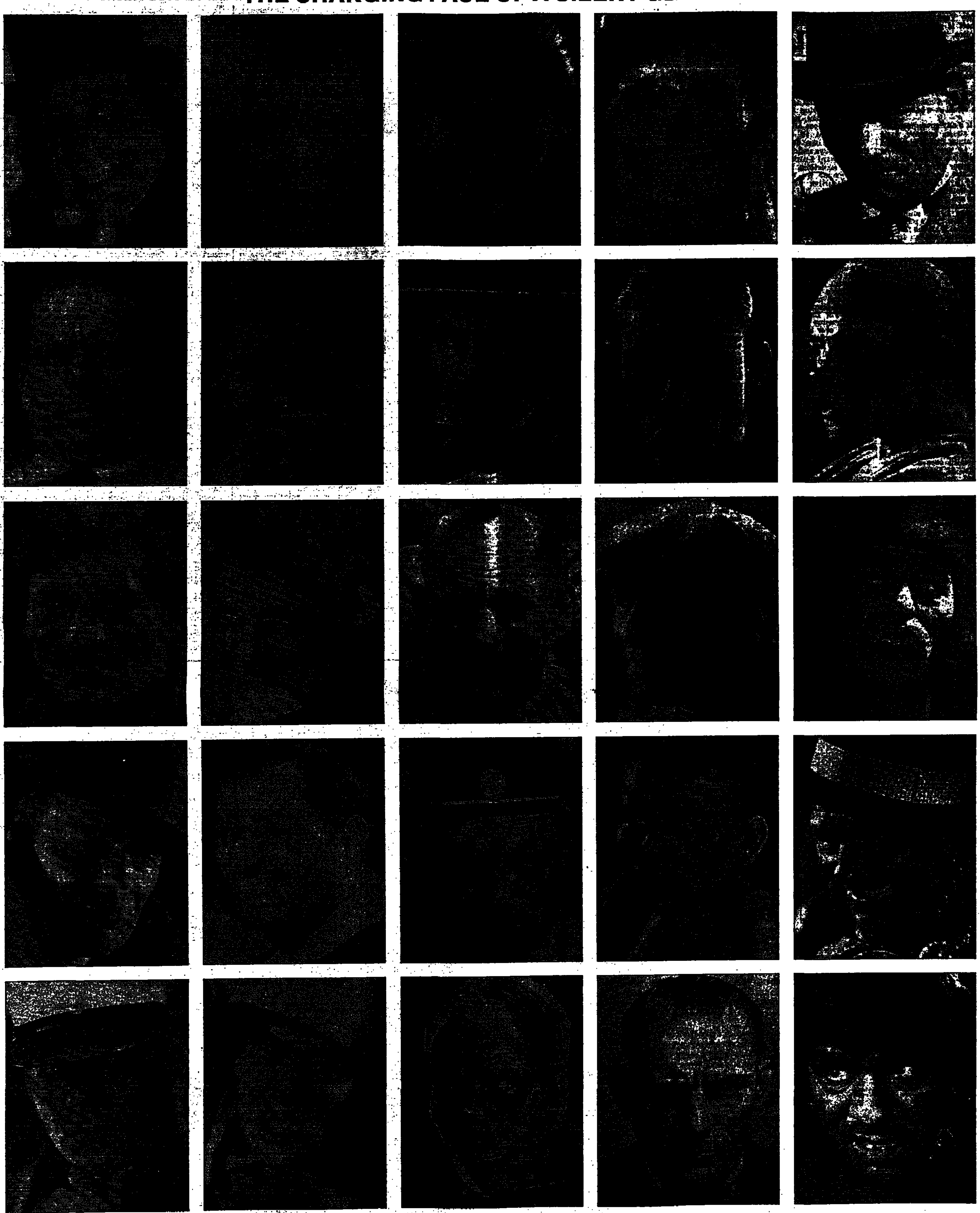
If previous experience is any guide, the short-term result of the lastest controversy will be a bout of "megaphone diplomacy" between the two sides. Mrs Thatcher's anger became apparent yesterday; Mr John Cope, Northern Ireland Minister of State, described the decision as "mistaken". The Irish Government is unlikely to remain mute for long.

Longer-term, the damage will be measured in terms of its effect on the 1985 Anglo-Irish Agreement – a pact between the London and Dublin governments which many hoped would end public rows between them.

The Supreme Court ruling will be raised at the meeting of the Anglo-Irish conference next month but there is little chance that any material change to the decision will result.



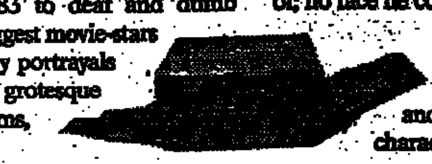
THE CHANGING FACE OF A SILENT GENIUS.



The joke of the decade. A killer. Ready? Get this: don't step on that spider . . . it might be Lon Chaney.

No? But it's the joke of the decade! Well, it was in the 20s. But then, in the 20s there was probably more chance of Lon Chaney being a spider than a spider being a spider.

Born on April Fool's Day, 1883 to deaf and dumb parents, Chaney became one of the biggest movie-stars of the silent era through extraordinary portrayals of all manner of unfortunate, often grotesque individuals: clowns, vampires, phantoms, hunchbacks, drunken husbands, evil grandmothers . . . everything from a crooked ventriloquist masquerading as a parrot-selling old lady *(The Unholy Three)* to an armless knife-throwing circus star *(The Unknown)*.

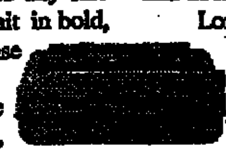


It seemed there was no shape or size of character this silent genius couldn't create; no contortion he wasn't capable of; no face he couldn't bring to life.

A bit like Epson's latest printers really.

Take the GQ-5000 laser printer, for example. Like old Lon, it can do things with characters and faces that you didn't think could be done with characters and faces. Unlike old Lon, it doesn't have to spend hours on end in front of a mirror, plastered in make-up with funny teeth stuffed up its cake-hole. It does the business almost instantly.

The GQ-5000, you see, has 'scaleable fonts'. Sounds painful doesn't it? It's not. It's wonderful. It means you can select any typeface from 80 built-in fonts; choose any size between 3pt and 240pt; print landscape or portrait in bold, medium or italics; underline, extend, flip or condense letters — by simply pressing a button or two.



If, however, a cast of thousands is not what you're looking for; simply a quietly brilliant performance, then the Epson SQ-850 ink-jet is what you're after.

The SQ-850 is so quiet you'll hardly notice it's there, let alone that it's whizzing along faster than any comparable ink-jet (600 cps in draft mode and 198 cps in LQ).

It also produces high-resolution graphics (at 360 dpi) and does all its own paper-handling stunts, *daaarling*.

Lon Chaney had to sweat his way through almost 150 films to earn the title *The Man of a Thousand Faces*. All you have to do is write or ring your way through to us here at Epson. So step on it.

But don't step on that spider . . . it might be an Epson.

EPSON

For further information write to: Epson (UK) Limited, Freepost TK984, Brentford, Middlesex TW8 8BR. (Alternatively call up Prestel *2804 or dial 0800 289622 free of charge.)

New York's municipal services

Looking for private answers

Andrew Jack reports on an initiative to improve the US city's long-term health

If a private car is stolen in New York city and the theft is reported to the police, the information will be laboriously processed nine times by hand.

To install an on-line computerised complaint system to do the same work would cost $1.82m. That money would be recouped within a year and, once fully implemented, the system would save $4.7m annually.

If it is a city government car that is stolen, however, some would argue that it is no bad thing; 14 per cent of New York's 22,000 official vehicles travel fewer than 10 miles a day. If the fleet were to be reduced by 1,604 cars, the savings would be £43m a year.

These are just two of dozens of recommendations made last September in an ambitious study of New York's municipal government. If all the findings were implemented, an investment of $203m in operations and capital over the period 1990-94 would produce direct savings and the potential to create savings of $2,903m. If the principles laid down were applied more widely in the city, the gains would be greater still.

The conclusions come neither from internal staff, nor from a lobbying group. They were the work of the Private Sector Survey, a group of business executives who, at the instigation of the then mayor, Edward Koch, spent nearly 18 months developing strategies for improving the way the city – with its 330,000 employees and £25bn budget – is managed.

There is no question that New York faces considerable challenges over the next few years. Demand for city services is rising dramatically, in areas like drugs, crime, homelessness, health care and infrastructure. At the same time, business relocation and a slow-growth economy are holding tax revenues well below forecast levels. At the beginning of the year, the city was facing a budget deficit of $400m for the fiscal year.

But why did business become entangled with government? Inspired by the work of the Grace Commission in the early 1980s which investigated the Federal government and claimed better management could save vast sums, Koch asked Frank Cary, the retired chairman and chief executive officer of IBM, to do the same for New York. Cary began recruiting others, and ultimately received staff seconded by companies and financial assistance from over 80 companies, worth about £5m.

Besides having IBM as an important client, management consultants Booz Allen & Hamilton agreed to take part "because we have deep roots in the city," says senior vice-president Edward Hearle. "We felt we had something to contribute because we work with municipalities around the world. We also like to do some collaborative *pro bono* projects because it is professionally challenging."

In the US, it is quite common for newly-elected officials to request an audit of their administration, "so they have a clean point of departure," according to one of the survey's executive office directors, Robert Clements, a senior manager with Price Waterhouse. But Koch's request was very broad, and came in his eleventh, and penultimate, year as mayor. For these reasons, "I can't imagine anything like this will ever be done again," says Clements.

During the first phase, launched in May 1988, consultants probed many areas of city government, identifying themes that they would study in depth. Six months later, they established 11 teams, each of which would concentrate on one topic. Four analysed specific agencies, and seven examined issues with city-wide implications, such as warehousing and information systems.

"We avoided programme issues such as drug treatment, and instead looked at administrative management functions, where the private sector lessons would be more applicable.

"Our criteria were to find cost savings, identify issues neglected because of organisational dynamics, and to focus on areas where the city could effect management change without amending legislation or causing major changes in union agreements," adds Clements.

The survey was "basically a management consulting study," explains Hearle. "We read, observed, and interviewed." There was also a very substantial data-gathering exercise, since information was sought that was not systematically collected by city agencies.

Paul Kofmehl (left), executive director of the New York Survey, and Ed Koch, former mayor

"Some of the survey staff were quite astonished by what we found," Clements says. "I was amazed by the lack of technology. Most things were done manually, or not very well on existing machines."

But the investigation did not always reflect badly on public management. Thinking that food provision was a likely area of waste, the survey brought in an expert from Marriott Corporation, the hotels group. But he concluded that the city was getting culinary services at extremely good rates.

"It was a bit intimidating at first, working in such a large, complicated organisation governed by so many laws and regulations," says James Holec, the survey's deputy executive director and principal at accountants Price Waterhouse. "Everybody was struck by the difficulty of managing the city, and by the high calibre of its managers."

Beyond the specific conclusions made by each work team, the general findings of the survey included: the cost of work performed is often not known; management performance targets are not stressed; accountability for operational results is not clearly established; cost/benefit discipline is not followed; and capital versus expense trade-offs are frequently overlooked.

The survey makes three key recommendations. The first calls for an expansion of cost and performance management, to maintain expense control, but also to institutionalise performance management by evaluating activities against efficiency and effectiveness objectives.

The city's Office of Operations assembles over 2,000 indicators for its Mayor's Management Report, nearly 79 per cent of which measure work volume, and only just over 1 per cent assess the cost of work. "They don't communicate anything related to performance," says Stanley Schoenfeld, associate executive director of the survey, and a principal at KPMG Peat Marwick.

Second, the survey calls for a realignment of management relationships, to increase the accountability of each agency. This requires wresting power from the central Office of Management and Budget (OMB), which has dominated city management processes since the fiscal crisis of the late 1970s. OMB, they argue, focuses on cost-containment, while the city now needs long-term investment policies to generate future savings.

Finally, there is a need to reinvest in human resources, to create a better trained, more motivated and productive workforce. "Personnel has been viewed as a cost item, not an asset requiring investment," says Clements.

Overall, the Mayor's Private Sector Survey was well received. "Wherever there are opportunities to improve government efficiency, we should go after them aggressively," says Harvey Spector, deputy director of OMB.

"It was a tremendous effort which raised a lot of fundamental questions," adds Anthony Shorris, Koch's commissioner of finance. "It really laid out an agenda for the next administration. A periodic review by people with a fresh perspective is never inappropriate. Any manager who thinks his operation is as efficient as possible is ready for retirement.

"There are a very large number of improvements that can be made. Most senior public managers work 12-15 hours a day routinely. Cost management only has their attention for a limited amount of time. They also have to address tough policy questions, and political issues."

How sensitive to management issues are the political appointees at the top of the municipal administration? Anthony Shorris believes that this is much less of a problem than at other levels of government. "In the city, most commissioners are committed to public sector management, and relatively few are purely political actors."

No one questioned the validity of an analysis of public management by businesses. Claiming that the majority of private sector managers has profit as a baseline is "in large measure nonsense," argues Stanley Schoenfeld. "Most monitor costs, not profit. There is no reason why public managers can't do the same."

Ironically, the mayor's Office of Operations was itself set up with seconded business executives in the late 1970s. It is the management indicators that they developed which are now being overhauled. Any system, it seems, deteriorates over time.

There were some questions about the reliability of figures – particularly estimated cost savings – quoted in the survey. One section, which examined the Health & Hospitals Corporation, has been received sceptically by some insiders who feel its analysis is too simplistic. And at least one recommendation has already been contradicted; the survey called for all personnel functions to be merged into one department, but the Office of Municipal Labour Relations was recently re-established as a separate agency outside the Department of Personnel.

A number of other findings, not surprisingly, picked up themes previously identified by the city. Shorris is quick to defend existing management improvements. "Our own internal process of squeezing the government, through more than 200 initiatives, has saved more than $1bn over the past eight years," he says.

Even where there is consensus over the reports' findings, implementation will not be easy. Koch's defeat, and his replacement by David Dinkins in January as Mayor, has stalled the survey's momentum. Politically, the new mayor, David Dinkins, has endorsed the survey, along with key public officials like the city controller and Manhattan Borough President.

But many senior managers chosen by the new mayor are only just beginning to establish themselves in the different agencies. Even if they accept its principles, they do so against the backdrop of the current fiscal crisis.

Responsibility for implementing the survey's recommendations has been handed to Harvey Robbins, the newly-appointed director of the mayor's Office of Operations. "The survey will certainly be a part of my agenda," he says. "But in the near future, my attention is on the budget crisis, and preserving core services."

It's not whether but where you do it

Jimmy Burns on workplace smoking

The sea change affecting the attitude of British companies on the issue of smoking at the workplace will have many a symbolic manifestation today, Britain's officially-designated National No Smoking Day.

The organisers have enlisted numerous companies including British Gas, British Telecom and Marks and Spencer, which have agreed to participate in exhibitions and in the distribution of literature on the non-smoking issue.

In January, Ford, the car manufacturer, joined the list of companies which have introduced extensive non-smoking areas, while British Airways claims wide customer support for its recently introduced ban on smoking on domestic flights.

There was a time not long ago when the image of smoke-filled boardrooms and dedicated secretaries hunched over ash-trays was prevalent. Increasingly, however, companies are adopting no-smoking policies in response to a raised public consciousness about the increased risk of lung cancer for non-smokers from passive smoking.

According to David Simpson, director of Action on Smoking and Health (ASH), "there has been a quantum leap" in the interest which UK companies now show in developing no-smoking policies.

It was in response to such an interest that ASH, with the backing of the department of employment, has launched its ASH Workplace Services (AWS) to advise companies on how to implement effective no-smoking policies.

Mark Flanagan, AWS's director says: "We found ourselves getting hundreds of enquiries per month from employers on the issue. There seemed to be a clear need for a professional advisory service to avoid the potential pitfalls, to get the language right."

According to Flanagan, some companies have caused more problems than they have resolved by introducing no-smoking policies too quickly and without adequate consultation. The result has been increased tension on the shop floor and, in a few cases, angry legal exchanges between employer and employee over alleged victimisation.

"We think that it is essential not to go for the big bang approach," says Flanagan, whose client base now includes the public sector and private companies employing from 100 to more than 3,000 employees.

Instead, AWS has adopted a five-stage strategy in dealing with companies which it believes succeeds in ensuring that the shop floor is both smoke-free and harmonious.

- Consult workplace formally with an attitude survey.
- Set up a representative working party to draw up a policy.
- Raise the non-smoking issue correctly. "The important thing is not to talk about *whether* employee A smokes but *where* he or she smokes," says Flanagan.

The emphasis, according to Flanagan, should be on the health hazards of passive smoking as identified by the Government's appointed independent scientific committee. Its report suggested that the increased cancer risk to non-smokers from passive smoking is between 10 and 30 per cent.

- Draft a policy that "makes it clear that it is going to honour the right of non-smokers to breathe smoke-free air but, where possible, also takes into account the needs of those who smoke."
- Implement the policy with adequate advanced warning which AWS recommends should be a minimum of twelve weeks to allow for reorganisation of working patterns and medical counselling.

Once it has helped draw up a policy, AWS draws on the expertise of the national charity QUIT. Funded by the Health Education Authority, QUIT's counsellors visit companies and organise group sessions for employees with particularly bad nicotine addiction.

Neither AWS nor QUIT claims to have devised a panacea for workplace smoking. QUIT estimates a 15-20 per cent drop-out rate for employees attending its five-session course.

Nevertheless, the feedback from a majority of companies that have adopted no-smoking policies is that morale has been raised rather than lowered.

TECHNOLOGY

Clive Cookson and **Bernard Simon** examine the commercial viability of recycling discarded tyres

The business of burning rubber

By drawing attention to the pollution hazards of burning tyres, a huge fire at a used-tyre storage depot south-west of Toronto has spurred the search for productive uses for the 300m tyres discarded in North America each year.

The fire, near the farming community of Hagersville, was put out two weeks ago after burning for 17 days. It engulfed 12m-14m tyres and was the largest of its kind in North America. But thanks to favourable geology and firefighters' efforts, the blaze was not the environmental catastrophe many experts initially feared. More than 150,000 gallons of oil which seeped out of the burning tyres were collected and removed to a nearby refinery.

Few alternatives have so far been found to the ugly and potentially hazardous storage depots for used tyres such as the one at Hagersville. The crux of the problem, according to David Morgan, chairman of the Rubber Association of Canada's task force on scrap tyre disposal, is that "everything we do to make them last longer on the road makes them tougher to handle as a waste product."

The problem of disposing of used tyres has been compounded by the growing reluctance of landfill operators to accept them. Tyres are not biodegradable. They do not settle easily on a dump, they take up a great deal of space, and attract rats and mosquitoes.

Except for trucks, tyre retreading has been a dying business since Japanese imports brought down the price of new tyres and the advent of the steel-belted radial required more sophisticated and expensive retreading equipment.

Furthermore, no way has yet been found to unscramble the different varieties of carbon black, sulphur and other chemicals which are bonded together when tyres are vulcanised. In other words, it has so far been impossible to extract the original ingredients and recycle them into new tyres.

Efforts to recycle tyres into other products, such as floor mats, crash barriers and even ice hockey pucks, have had limited success. Only about 30 per cent of a tyre is suitable for these products and the proportion of tyres recycled has remained between 4 per cent and 7 per cent for the past decade.

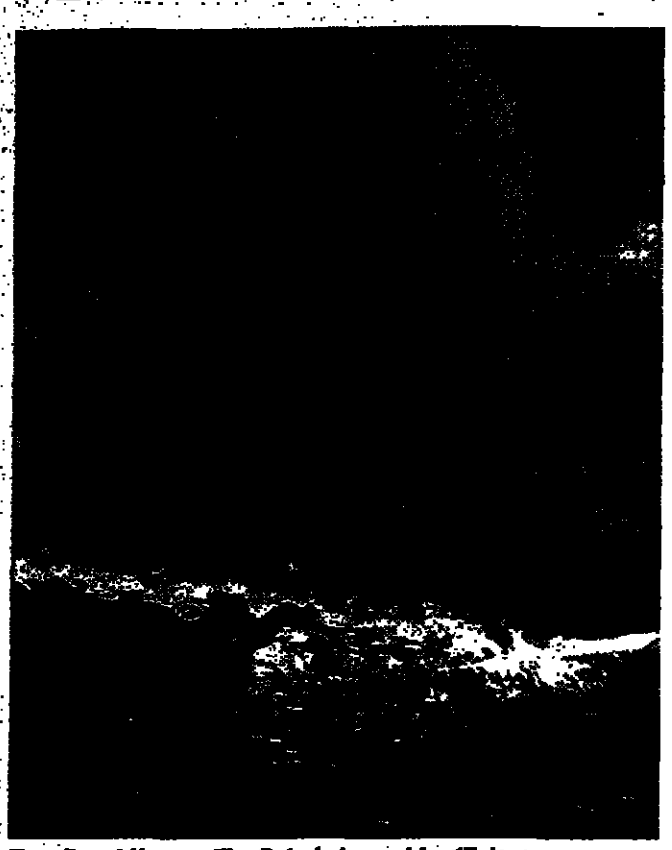
A more substantial outlet could be the use of ground vulcanised rubber as an additive to asphalt. Tests are currently being conducted on sections of road in New York state. Experts estimate that about 10,000 tyres, ground into crumbs the size of sand grains, would be required for each kilometre of tarred road.

Air Products and Chemicals of Allentown, Pennsylvania, is pursuing a technically more sophisticated approach to tyre recycling. Its researchers are developing a new chemical technology for combining tyre rubber with other polymers. The tyres are ground to a fine powder and then treated with a mixture of reactive gases such as fluorine. The gases modify the surface of the rubber, so that it bonds firmly with a second polymer. The resulting "composite" material is much stronger than a simple mixture of polymers.

The Air Products research is focusing first on rubber-polyurethane composites. By varying the ingredients, "an extremely broad range of physical properties can be engineered into polyurethanes," says Bernard Bauman, the company's composite products manager. The target markets for these materials include shoe soles, carpet underlay, conveyor belts, car door and window seals, adhesives and sealants, flexible foam and even waterproof liners for garden ponds.

The researchers plan later to investigate combining surface-modified tyre rubber with other polymers, including nylon, polyester, epoxy and phenolic systems.

Although Air Products has demonstrated its surface modification technology, a lot of work still has to be done to establish the commercial viability of the process. As Bauman says, manufacturers are not used to adding particles to polymers. "Moulders need to be educated on how to process these materials and what the benefits are. End users need to be assured of the long-term acceptability of these new composites."



Tyre fire at Hagersville, Ontario burned for 17 days

If the Air Products scrap tyre process is commercially viable, plants with processing capacities of 1m tyres per year and costing about $5m each would be established near the main sources of old tyres — large metropolitan centres. The company estimates that up to 50m tyres a year in the US could eventually be recycled through its surface-modification technology.

The US Department of Energy is partly funding the Air Products research, because rubber-polymer composites require significantly less energy to manufacture than virgin polymers.

"Scrap tyre recycling via this technology represents the greatest potential for energy savings of all known tyre recycling methods," Bauman says. The total energy required to collect, grind and surface-modify scrap tyres is 9,000 BTU per pound, compared with the 90,000 BTU required to produce one pound of polyurethane resin. So each pound of polyurethane substituted with one pound of surface-modified rubber will save 81,000 BTU. By comparison, the energy derived from burning tyres is only 14,000 BTU per pound — just 20 per cent of the energy required originally to make the tyres.

Even so, many experts believe the best use for old tyres is to release their energy by burning. An average tyre contains the equivalent of 2.5 gallons of oil — enough fuel to heat a medium-sized house for a day.

The world's largest tyre-fired power station has been running successfully for two years next to the world's biggest used-tyre dump near Modesto, California. The plant burns 4.5m tyres a year and generates 15 MW of electricity, enough to meet the needs of 14,000 homes. And useful steel, zinc and gypsum are extracted from the ash.

Oxford Energy, the plant's owner and operator, is building a second tyre-burning power station in Sterling, Connecticut, with an input of 10m tyres per year and an electrical output of 30 MW. The company plans to build six to eight similar plants in the US by 1995. But even they would consume only one third of tyres discarded by Americans every year.

Sceptics say the biggest drawback of these plants is their cost. Besides the sizeable capital investment — $100m each — operating costs are at least double those of conventional coal-powered power stations.

Old tyres also fuel cement kilns in Europe and the US, and pulp and paper mills are potential users.

But the Canadian cement industry has so far been unable to convince the authorities that tyres are a clean substitute for coal, or that there is not a better use for the large quantities of oil contained in tyres. Cement producers say that tyres could replace about 20 per cent of the coal used to fire their kilns.

Although an uncontrolled tyre fire emits billows of black smoke and numerous foul-smelling and toxic substances, Morgan says that "any reasonably sophisticated emission control system, associated with a solid fuel combustion system, will capture the emissions from tyre-derived fuel."

At Oxford Energy's Californian plant, very high furnace temperatures (above 1,200 deg C) and sophisticated pollution controls ensure that the stringent state and local air quality standards are met. A lime-slurry scrubber absorbs sulphur-containing gases; ammonia is injected to remove nitrogen oxides; and filter bags made of ultra-fine Gore-Tex membrane trap even the finest particles of soot.

The Hagersville fire has undoubtedly strengthened the case that controlled burning of tyres is safer than storing them.

Winning formula for fast cars

Williams Grand Prix Engineering, which develops and designs Formula One cars, has signed a technological partnership with ICI that will introduce some of the most advanced aerospace materials into racing cars.

"Formula One racing is as demanding as aerospace," says David Clark, director of ICI's Wilton Materials Research Centre, where 1,200 staff work on advanced materials. He uses the term "molecular knitting" to describe the intimacy of the bonding between matrix and reinforcing fibre in its toughest composites.

ICI's advanced materials, including carbon-fibre composites, are used extensively in military aircraft such as the US B2 "stealth" bomber, not least because they are difficult to detect by radar. But Formula One offers ICI a test-bed free of the strict regulations that apply to flying. Clark says the companies are committing nearly £2m to their search for better materials.

The 160-strong Williams team, operating at what it sees as "the sharper end of auto technology," can manage in months what it would take aerospace engineers years to get into service, says David Williams, general manager responsible for the firm's technology base. He wants to see the company used increasingly as a "prototyping" agency. "We can provide a superb testing environment."

The companies, working with the Science and Engineering Research Council under the Government's Link initiative, have succeeded in replacing a forged steel gearbox component with one made from carbon-fibre reinforced thermoplastic. The gear selector fork has run without discernable wear in the equivalent of two Grand Prix, with the oil temperature at 150 to 175 deg C, says Williams. Although the part was 63 per cent lighter, the driver was unaware of the change.

The selector fork is made from a new composite of poly ether ether ketone and carbon fibre, called AP2. According to Williams, the cars will soon want seven- or eight-speed gearboxes, meaning more selector forks and a greater need for weight saving. He also claims that manufacturing costs are cut by 30 to 40 per cent and says the component will last longer.

The companies have also picked three bigger parts — all highly stressed — for manufacture in carbon-fibre composite. They are the wheels, the drive shaft and the rear underpanel.

Clark says the wheel is the biggest challenge, especially if they attempt to design for the chosen composite, rather than simply substituting it for the 5kg of die-cast magnesium alloy. They want a wheel that is just as stiff but is lighter and longer-lived.

With the drive shaft, which is subject to very high shock loads, the aim is to save weight.

The underpanel, a diffuser for the exhaust, is subject to severe temperatures as well as abrasion. Williams already makes it in carbon fibre — about 100 of them per racing season — but believes there is scope for improvement in wear rates and cost.

David Fishlock

West heads East in search of ideas

Western businessmen sanguine about opportunities for freer trade with eastern Europe are probably tempted first to think about the commerce in concrete things — manufactured goods, shares in factories or hardware-dependent technology.

The assumption (correct in many cases) is that the preponderant flow will be from West to East. What may be overlooked is the potential for commerce in industry- or engineering-related ideas.

Some westerners are now getting a better grip on what could prove to be the most productive exchanges of all. Early inroads have been made into the intellectual territory of Soviet innovators in the mineral sector.

George Miller, president of the Mining Association of Canada, says: "The Russians are long on science and short on implementation. They recognise that their mines are behind the times. For various reasons they have not been able to translate good ideas into practice."

Developments shown to him in the Soviet Union include:

- Innovative reagents.
- Computer control of grinding processes.
- A Hydrometallurgical process for treating non-ferrous metals that does not release sulphur dioxide, one of the chief compounds in acid rain, as a byproduct. Instead, the impurity is removed as elemental sulphur, the yellow powder, which itself can be sold commercially. In a time of "green" issues, the benefits are obvious.
- Improvements to beneficiation processes (those that concentrate the amount of metal in ores from 1 to 2 per cent to 30 to 50 per cent). Academic researchers have tested a dozen or so advances on industrial processes "all of which work but none of which is in commercial use."

The dissemination of industrial ideas is still not all it might be, however. Glasnost has not yet liberated every technician or manager who knows he can improve techniques and processes under his control. One manager who was able to upgrade the operation of blast furnaces at his mine was later not permitted to publish a scientific paper on the subject.

Despite the handicaps, westerners can do a number of things to help ensure that they not only absorb the best available concepts from their eastern counterparts, but also get their own into circulation in their areas of interest.

Consultants and others with ideas of their own should consider linking up with an existing joint venture. They gain the advantage of getting paid directly out of the exportable hard currency earnings of the foreign partner while communicating first hand with experts in the host country.

"You've got to tap into the unexploited brains. Be prepared to do deals for even semi-finished ideas," says Miller. Time must be spent finding and talking to the people who are at work on specific problems.

One of the senses of the word glasnost is "disclosure." If enough of the right ideas are disclosed to the right people all may stand to gain.

Peter Miller

TECHNOLOGY MARKET

FT LAW REPORTS

No damages for buyer of Lloyd's surveyed ship

THE MORNING WATCH
Queen's Bench Division (Commercial Court):
Mr Justice Phillips:
February 15 1990

THE BUYER of a Lloyd's-classified ship cannot claim damages for economic loss suffered as a result of his reliance on a routine survey carried out on the vendor's instructions, in that though reliance by potential purchasers was foreseeable by the surveyor, the Lloyd's objects concern safety not protection of purchasers and, in the absence of factors giving rise to proximity of relationship, it owes them no duty of care.

Mr Justice Phillips so held when giving judgment for the defendant, Lloyd's Register of Shipping, on a claim by Mariola Marine Corporation, buyer of the Morning Watch, for damages for negligent misstatement by a Lloyd's surveyor.

HIS LORDSHIP said that Morning Watch was a steel-hulled motor yacht built in 1962 according to Lloyd's Rules.

She was regularly surveyed and was classed 100A1. The Rules required biennial surveys with a special survey every four years.

On October 19 1984 the owners' agents instructed Lloyd's to carry out a special survey before sale of the vessel. The survey was conducted in November. An interim certificate was issued recommending that she remained as classed and be credited with passing special survey when certain repairs were carried out.

The interim certificate was sent to the agents. They issued particulars offering Morning Watch for sale for £220,000, stating that she had "passed current special survey."

In February 1985 *Mariola*, a US company, offered £185,000 for Morning Watch "as is, where is." The purchase was completed in March.

Some of the surveyor's recommendations had not been *carried out. He agreed with the* captain to issue a certificate saying she had passed special survey, providing Mariola confirmed outstanding items would be dealt with during refit. Mariola confirmed the works would be carried out and an interim certificate was issued on March 29.

Subsequently extensive and serious corrosion of the steelwork was found in the main and the boat deck. The cost of work to the boat deck alone was FFr265,000 (£28,450).

Repairs were completed in October 1986. The vessel was chartered during the 1987 season. At the beginning of 1988 Mariola put her on the market. She was sold for $750,000.

Mariola claimed against Lloyd's for economic loss suffered as a result of relying on misstatements negligently made by the surveyor.

The question was whether, when surveying a vessel, a classification society owed a duty of care not to cause pecuniary loss to persons other *than owners who were liable to* rely on the survey results.

Mariola contended that Lloyd's owed a duty of care which it broke in November 1984 when the survey was carried out without proper skill *and care, and in March* 1985 when the surveyor assured the captain he would issue a certificate provided Mariola confirmed it would deal with outstanding items.

Lloyd's contended that no claim could be founded on events in March, because Mariola was then legally committed to complete the purchase.

The term "as is, where is" had a clearly recognised meaning in a contract of sale. The purchaser took the object as he found it without warranty as to quality or condition.

Accordingly, nothing done or left undone by the surveyor in March 1985 had any adverse consequences on Mariola. The relevant time for consideration of the *alleged* breach *of duty* was November 1984.

It was reasonably foreseeable by Lloyd's that a purchaser would be influenced by the special survey results when considering whether to buy the vessel. However, foreseeability alone would not give rise to a duty of care where the harm foreseen was limited to economic loss. There must be a sufficient degree of proximity between plaintiff and defendant to give rise to such a duty of care. There was no universal test to determine whether the necessary proximity existed.

The principles deduced from decided cases were that (i) where the defendant voluntarily assumed responsibility to the plaintiff and the plaintiff relied on that assumption, sufficient *proximity would* often be created; but (ii)voluntary assumption of responsibility was not an essential element of necessary proximity; (iii) where the relationship had many though not all the incidents of a contract, sufficient proximity might exist; (iv) while foreseeability of reliance would not automatically give rise to a duty of care, it must play an important part.

Miss Bucknall for Mariola submitted that the relationship between Lloyd's and those who contemplated the purchase of classed ships was sufficiently proximate to give rise to a duty of care.

Lloyd's had charitable status. Its objects, according to its Rules, were *to secure high* technical standards of construction, maintenance etc "for the purpose of enhancing the safety of life and property both at sea and on land".

Its general powers included the power to obtain a faithful and accurate classification of mercantile shipping "for the use of merchants, shipowners and others". That power recognised the fact that not merely the owner of a registered ship, but others who had a pecuniary interest in its safety, would rely on its classification.

However, the primary purpose of the classification system was "to enhance the safety of life and property" rather than to protect the economic interests of those involved.

The relationship between Lloyd's *and* a *potential* purchaser of the classed vessel did not reflect any statutory scheme to protect purchasers. The Lloyd's objects were not primarily to protect such interests. There was no relationship akin to contract. There was no voluntary assumption of responsibility to purchasers.

To accept the general proposition that Lloyd's owed a duty of care to those foreseeably liable to suffer economic loss through reliance on negligent classification would be to advance the law of negligence. The proposition was rejected.

Miss Bucknall submitted that on the particular facts of the case there was sufficient proximity to give rise to a duty *of care. The facts* she relied *on* were that before the special survey was completed Lloyd's knew the ship was being sold and made known that her class would be maintained.

She said those facts were analogous to *Smith v Bush* and *Harris [1989] 2 WLR 790* where the House of Lords held that a house valuer, instructed by a prospective mortgagee for mortgage purposes, owed a duty of care to the purchaser who paid the valuation fee.

There was no question of Mariola having paid Lloyd's *survey fees. Thus a factor* emphasised in *Smith v Bush* was missing. Nor could it be suggested that the survey was carried out for the sole purpose of selling the yacht, or for the benefit of a specific individual purchaser. *Mariola was not on* the scene when the survey was ordered.

In *Smith v Bush*, Lord Griffiths said that "the necessary proximity" arose from the surveyor's knowledge that the "overwhelming probability" was that the purchaser would rely on his valuation and the fact that the purchaser was willing to pay the fee.

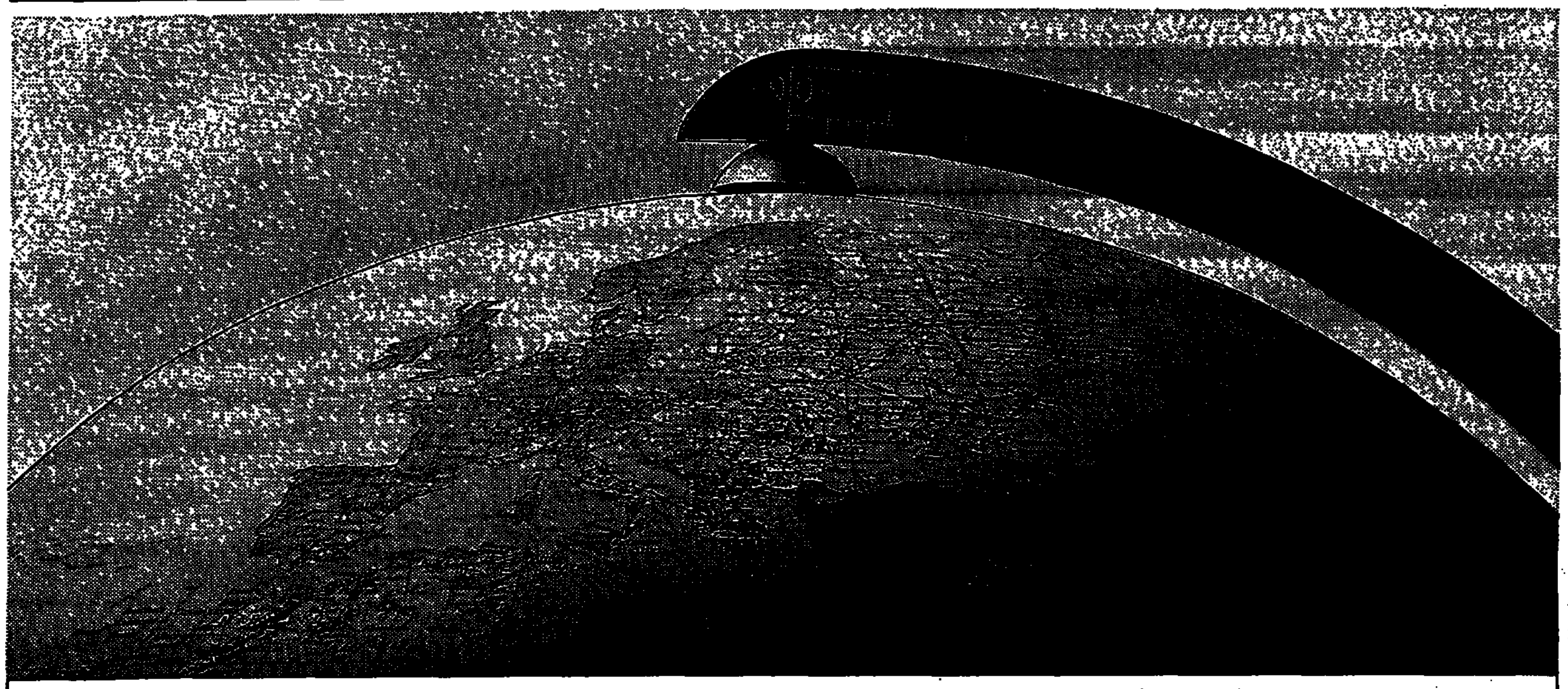
It was possible that whoever decided to buy Morning Watch would do so on the strength of the special survey but it was not an "overwhelming probability".

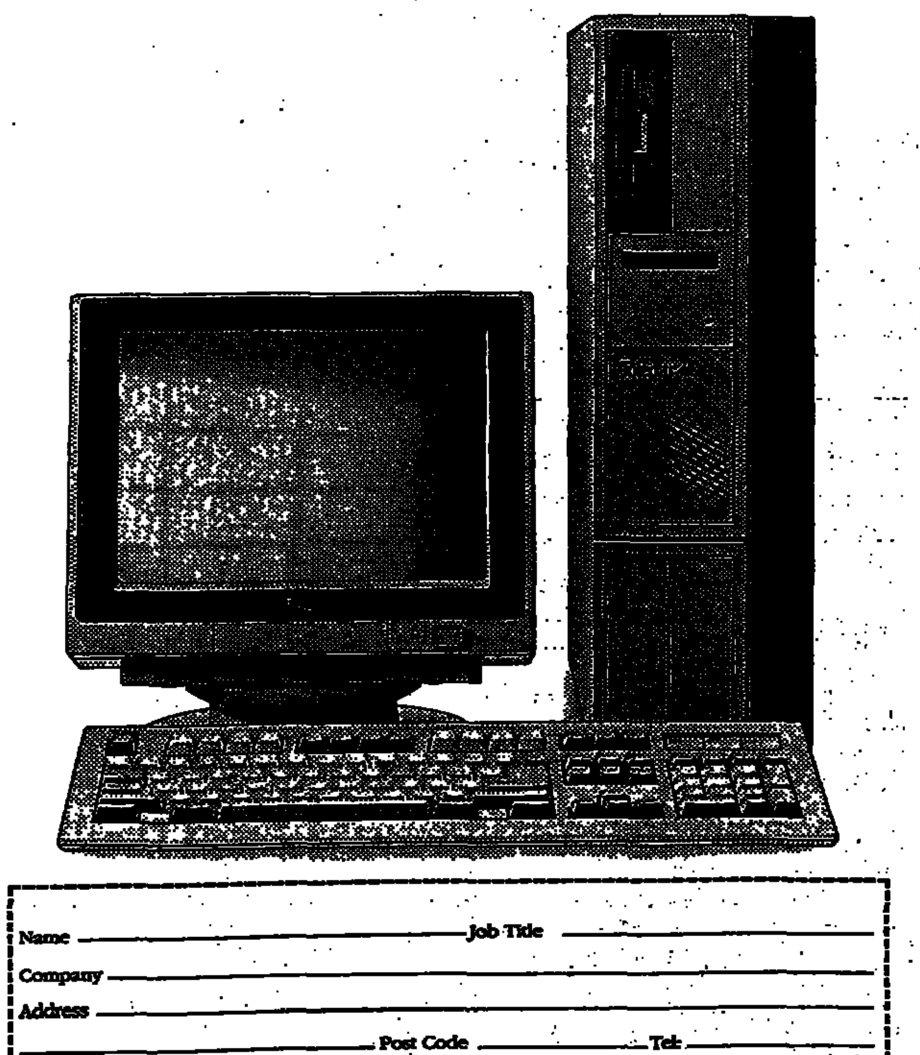
Mariola had failed to establish that Lloyd's owed it any duty of care when the special survey was carried out in *November 1984*.

The requisite proximity was not established. The claim was dismissed.

For Mariola: Belinda Bucknell QC and Luke Parsons (Ingledew Brown Bennison & Garrett).
For Lloyd's: Julian Flaux (Taylor Joynson Garrett).

Rachel Davies
Barrister





ARTS

TELEVISION

The deadly arm of Uncle Joe

We forget that parliamentary democracy is an abnormal form of government. For most of history people have been ruled by autocrats who were automatically succeeded or violently toppled by other autocrats. In spite of what we say about the ancient Greeks inventing democracy, most of the city states were most of the time governed by "tyrants" (even if the word has a weaker sense in Greek than it does in English).

What history does show is that democracy, ancient or modern, is all too easily corrupted. Nor is our own enlightened form of it completely proof against authoritarianism. So we can never learn too much for our own good about the processes of power and the psychology of the power-hungry. What dictators like Hitler – or Ceausescu - did is no longer seriously disputed. But *why* they do it and how they are able to persuade everybody else to let them do it is a far more difficult question to answer. To say that they are mad is not enough. If they are mad, then the same madness can infect many thousands of others.

The best example of a modern tyrant, a man who was worshipped by his people even as he slaughtered them, is of course Joseph Stalin, the subject of a three-part Thames Television biography that began last night.

In the week that sees the *Lithuanians attempting to* commit the ultimate act of *perestroika* – secession from the Soviet Union – this excellent film is timely as well as topical. Nothing that happens in the Soviet Union today can make sense to us unless we understand the system which Gorbachev is trying to dismantle: Stalin's system.

The bureaucratic state he *created* was, and is, a perversion of Lenin's revolution – some would argue the inevitable continuation of it. But as this Thames documentary makes vividly clear, "bureaucracy" is a feeble name for it. The *nomenklatura* is not merely an administrative structure that fails to produce the goods. It is not only a system of patronage for dishing out perks – housing, food and trips abroad – in a country of desperate shortages. It is *also* a way of life (under Stalin a way of death) dedicated to suppressing initiative and dodging responsibility. It has its own jargon in which "no problem" means "you must be joking!" and "there are certain negative aspects" means "this is a monumental disaster."

Yet even within this system, even in the nadir of Brezhnevite stagnation, you could find good men and women, doggedly clinging to the socialist utopian ideals long after their leaders had become utterly cynical. And that, it seems to me, is the central conundrum of Stalin's story.

Last night's episode explained how the militant young ex-seminarist from Georgia rose, via the editorship of *Pravda*, to the post of general secretary of the Party. We saw the ailing Lenin in a deckchair, repenting that he had promoted Stalin so far: the ruthless but flexible idealist *giving way to a man even more* ruthless and unencumbered, apparently, with ideals of any sort.

The narrative, read by actor Ian Holm, maintained the pace and power of the dramatic opening credits. Some of the star witnesses collected by the Thames team from among 150 interviewees made their first appearance. They were supported by archive film *(some of it extracted with* difficulty and not seen before in the West) in turn sinisterly and movingly justifying the commentary. There were the inevitable horror pictures – in this story no one can complain they were out of place – and the equally inevitable American academics (to reflect some funding from the US). But given the complexity of those early years of revolution, episode one was controlled, graphic, convincing and even-handed.

If there was something missing, it was a psychological portrait of the man himself. Was the shrewd Asiatic *really the "grey" man one* person remembers? Again, I wanted to know more about the effect on Stalin of the early death of his first wife Ekaterina. He is said to have told a friend: "When she died all my warm feeling for people died with her."

Naturally, Thames interviewed Svetlana, his daughter by his second wife (who committed suicide). Square-jawed Svetlana has already described her father in *Twenty Letters to a Friend*, but on television she proved a curiously weak witness.

Later in the series we hear from Stalin's bodyguard, from his official biographer, and from a member of the commission set up after Kirov's murder, who testifies for the first time that Stalin *was behind the assassination* of the challenger from Leningrad. But where is the private Stalin, the man who in real life was small, narrow-shouldered and scruffy but who terrified his craven circle by sudden changes of mood from witty boozer to ranting, frothing yellow-eyed monster.

As it progresses – you will find the second episode more *gripping still than the first* – *Stalin* becomes increasingly the story of the dictator's victims and their struggle to come to terms with their suffering, ignorance or naivete.

Perhaps 60m Soviet people died of famine, of hard labour in the Gulag or in the war – the war with Hitler which gave Stalin a new lease on life. Yet one camp inmate admits that he cried when he heard of Stalin's death. Later, the informer Valentin Astrov, now 92, chokes as he describes his part in denouncing Bukharin, one of the most important victims of the show trials. "The idea was that we *did it for the sake of the* Socialist Motherland," he blurts. According to the researcher who interviewed Astrov, the old man aged 20 years in *front* of the camera as his own confession came tumbling out. There is time here only for snatches.

In other words, one could have done with a fourth episode bringing us up to date and allowing more time for the tyrant's children and for those few apologists still ready to defend him publicly.

In episode two we meet a pretty, middle-aged woman who grew up in the camps. She says she was happy as a child: "You knew who mummy was. You saw her in prison. But we didn't think where or who our daddies were. Stalin was our daddy."

This is the kind of reportage television does best and I doubt if *Stalin* will easily be surpassed. Keep watching.

*

Another kind of history, TV history, seems to have been made on Sunday night. LWT's South Bank Show featured *Dreams of Monochrome Men* and recorded a new high on the shockometer, if the rent-a-quote outrage in the next morning's papers was anything to go by.

For those of you who missed it – the vast majority I suspect – this was a homosexual sex *fantasy brilliantly danced/* mimed by four men of the DV8 (geddit?) Physical Theatre. It was certainly "disturbing" as the voice-over warned us. It was *also erotic, in the way* most ballet and modern dance is erotic, but (speaking for myself anyway) erotic in a decidedly queasy sort of way. I would not have called it pornographic, (although it got uncomfortably close when one dancer exchanged his Y-fronts with the corpse of another) but it was frequently brutal and, finally, not far short of necrophiliac.

To complain, as some people have, that *Dead Dreams* promoted homosexuality (and straight after the Dame Edna show, too!) is very wide of the mark. If ever there was a public health warning that promiscuous male homosexual encounters can be brutish, solipsist and deadening, this was it.

Having decided to take the gamble to screen this *danse macabre*, based on the story of mass murderer Dennis Nielsen and originally mounted (if that's the word) at the ICA in 1988, LWT were wise to put the programme out in the way they did. There was no advance publicity and it struck at the lowest point of the viewing week when even Mary Whitehouse was safely tucked up in bed with a cup of hot cocoa. But I thought Melvyn Bragg was more than usually bland in his introduction, and I noticed that he skipped off screen pretty smartly as if he could see the hail of rotten tomatoes coming.

Christian Tyler

Yours, Anne

LIBRARY THEATRE, MANCHESTER

This musical drawn from the diary of Anne Frank has had revivals in America since its off-Broadway launch in 1985. The writer Enid Futterman has revised it for a European première in Manchester. Futterman's book and Michael Cohen's music have produced some very strong moments, a sometimes flagging dramatic pace, and a show expertly tailored to catch the claustrophobia and emotional compactness of the original story.

Chris Kinman's design for the secret annexe hidden behind a false bookcase where eight Jews lived hidden for two years in Amsterdam, serves to underline the strain on two families and a single man in a daily régime where, in the working hours of the adjacent office, talking was forbidden, shoes could not be worn, the WC and sink not used.

The abrasive proximity is well conveyed. Anne herself is exuberant to the point of bumptiousness – the show does not sentimentalise her, even when discussing the mysteries of sex with the boy Peter, another fugitive. Siân Reeves plays with astonishing assurance, looks like Anne, convinces as a 14-year-old and sounds like a young Petula Clark with a dash of Julie Andrews (watch that tendency please.) A six-strong band on a platform above the stage accompanies much of the dialogue. The musical idiom relies on the surging minor-key sub-Puccinian ballad style, but finds an individual tone for a nostalgic ensemble as well as a Jewish religious celebration. The only dud is a dull and portentous number for the Frank parents.

As a series of vignettes the piece works well enough, aided in Roger Haines' direction by strong performances, notably from Judith Bruce as the *Franks' fellow-hider who clings* to her old fur coat as the only sign of what she was and Anna-Juliana Clare as Anne's elder sister, strong-voiced, long-suffering and scruffy, every inch the exasperated older daughter.

After about 70 minutes the tension sags and revives only *sporadically in the remaining* half-hour The suspense as the fugitives suspect they are being betrayed is defused in an ensemble that constantly asks (once should be enough) "What was that?" of a noise outside. More successful is the excited "When we are free," when the BBC news of the allied invasion conjures *mirages of* hot baths and cream cakes.

The conclusion cannot fail to move. Mr Frank, who would be the sole survivor, tells us of the *fate in store* for each character as he or she leaves the stage. Cumulatively, then, a workmanlike, professional and heartfelt piece very well done; but one that curiously lacks a centre.

Martin Hoyle

Daphne

QUEEN ELIZABETH HALL

Having spotted a golden opportunity, the amateur Chelsea Opera Group seized it on Sunday with tremendous credit. Richard Strauss's opera *Daphne* is more than 50 years old, and yet it has never been performed in London Commendably, the COG decided to give it a concert performance. Better still, it secured the distinguished Straussian Norman Del Mar to conduct it, and with a sterling, mostly young cast, he led a performance to remember with gratitude.

Insofar as opera houses have had any reasons for leaving *Daphne* aside, they are probably its one-act form, its reputed shortage of stage action, and the tricky *coup de théâtre* required at the end – when the mythological heroine turns into a laurel tree. Those are not problems for a concert performance; but assembling an *adequate cast is still a challenge*. Daphne's role is long, difficult and high-flying, answered by *two* strenuous tenor roles which also lie high, and the more modest part for Daphne's mother Gaea descends to notes which only rare contraltos can reach.

The COG cast was altogether admirable. Perhaps Teresa Cahill's lovely soprano is now too warmly mature to limn the ideal Daphne, whose sexless immaturity is central to the plot, but who would argue with such a ravishing sound and such grace of phrase? As the marauding Apollo, Kenneth Woollam was awesomely secure. Justin Lavender used his smaller tenor with such intelligence that his Leukippos, Daphne's disappointed swain, escaped any trace of the wimpishness the role seems to invite. Daphne's parents, a riv*er-god and an earth-goddess in* sonorous mufti, were a fine pair: as Peneios, the bass Brian Bannatyne-Scott poured out rich, even tone, and Hilary Summers was an uncannily effective, penetrating Gaea.

All the smaller parts were much more than adequately taken; one noticed particularly Helen Astrid's bright little soubrette, and Bryan Kesselman's strong musical purpose and characterful timbre marked him out for more ambitious studies than First Shepherd.

The Chelsea chorus carried on their shepherd revelries with a will and Del Mar gave the score sumptuous, searching treatment. Above all, the work seemed to carry through beautifully as an *opera*: why have the big houses been so leery of it?

David Murray

Ruggero Raimondi

BARBICAN HALL

Perhaps this kind of European cultural event will do the rounds more frequently in *future*. To mark the 25th anniversary of his career the Italian bass Ruggero Raimondi is touring 25 cities in Europe with a concert of operatic arias accompanied by the students of the Moscow Conservatoire Orchestra.

Since the war there has been a noble line in Italian basses, including such figures as Siepi and Rossi-Lemeni. Raimondi has arguably built a career with a higher profile, though that is largely thanks to his film appearances. After his long absence from opera in London, it comes as a surprise to find oneself face to face again with Losey's Don Giovanni.

In the intervening years the singer's basic style has changed little. This programme showed that he still aims to phrase with a fine legato at times when other basses are tempted to rant, though that should not be taken to suggest that the singing was free from blemishes. Early in the evening there was a lot of sagging under the note and top notes were excessively cautious.

In that respect it is salutary to recall that Christoff, at the end of his career, was far more thrilling in a very similar programme at Covent Garden. For Raimondi the best of the evening came with stirring accounts of the *scenas* from *Attila* and *Ernani*. The bass aria of *Don Carlos* was sung in an unexciting but properly sombre manner, while the death scene of *Boris Godunov* added a final touch of the theatre.

The orchestral playing under Leonid Nikolayev was happily full of theatricality. A selection of favourite orchestral excerpts from Russian and Italian operas, delivered with discipline and elan, kept the spirits up between the vocal solos. The tour moves on to Birmingham and Edinburgh.

Richard Fairman

My Name, Shall I Tell You My Name

YOUNG VIC STUDIO

Christina Reid's touching short radio play, given its stage première at last year's Dublin festival, forces one to re-examine the gulf between the two media. Here is a two-hander, beautifully played Des Braiden and Patricia Doherty as an old Ulsterman and his adored granddaughter, in which the characters only meet up once. For the rest of the evening they sit at opposite sides of the stage chewing over their memories of each other and – *in her case* – *reflecting on* the historical wedge that has driven them apart.

He is a patriotic Orangeman and Boyne veteran who keeps his medals and memories in an old biscuit tin; she is a bright young artist who moves to London and marries an Asian, thus closing her grandfather's door on herself for ever. The play opens with the silhouette of old man and little girl hand in hand as a voice-over lisps out their closeness; it ends with each locked in their separate loneliness, the victims as much of general social attitudes as of individual bigotries. The *huge paradox of the Ulster protestant* mentality, reflects the young Andrea wistfully, is that they can be more British than the British while at the same time regarding every departure for the mainland as an act of betrayal. Brought up to recite the names of the glorious dead, she cements that betrayal by being arrested at Greenham Common.

Reid is an astute and compassionate portrayer of her country's foibles, who has the invaluable knack of making her characters funny without ever allowing them to become risible. Even the old man's appalling prejudice has a certain *dignity, which reaches a crescendo as*, tears in the eyes of one who never cries, he hurls out the patriotic songs of his youth, unaware that on the other side of the Channel is granddaughter is also trying not to cry, in a bitter confirmation of her stoical Ulster upbringing.

Pierre Campos, the Frenchman who founded the touring Yew Theatre Company in County Mayo three years ago, directs with a sympathy that allows the resonances of the play full rein without actually vindicating it as a piece of stage drama. If you close your eyes and listen to the flow of language *and memories, you see more than you* do with eyes open.

Claire Armitstead

Walter Klien

WIGMORE HALL

Klien's London recitals seem to have become infrequent of late. It was splendid to be reminded on Sunday afternoon of the virtues of his playing and to find his interpretative powers if *anything sharpened by the* years. The attendance was ludicrously small for a pianist of his eminence and it was another sad testimony to the power of recording companies in shaping programming and hyping artists: Klien is not fashionable, does not make many discs, and so lacks the *profile that sells the seats.*

Those who did turn up heard exemplary performances of Mozart (the C minor Sonata K.457), Janácek (the Sonata *1.X.1905), Berg and Schubert* (the A major Sonata D.959). I don't recall hearing Klien's Janácek before, which he shapes vividly, not at all favouring the wispy half-tones of some pianists in this work, while the Berg Sonata emerged as a tragedy constructed on epic lines, with the main theme larded with eloquence and the ending a marvellously controlled extinction.

The Mozart and Schubert shared a mode of attack. K.457 began with a sense of a slight sense of technical unease – a few uncertain figures and textures – though its driving intensity was well targeted from the start. The same urgency coursed through the A major Sonata, with the opening bars raising the curtain on a *drama with the epic scope of* Serkin's wonderful performance.

Klien managed to maintain that sense of fresh wonder throughout, finding an undercurrent of threat in the stuttering bass of the first-movement development, precious little comfort in the scherzo and a glorious peroration in the last episode of the rondo. Uncomplicated directness then, and all the more special for that.

Andrew Clements

ARTS GUIDE

March 9-15

THEATRE

London

Anything Goes (Prince Edward). Cole Porter's silly ocean-going 1930s musical has four or five marvellous songs and Elaine Paige failing to emulate Ethel Merman. Jerry Zak's desperately bright production comes from the Lincoln Center in New York and is undemanding fare (734 8951, cc 836 2428).

Jeffrey Bernard is Unwell (Apollo). Tom Conti has taken over from Peter O'Toole as an alcoholic journalist who embodies a Falstaffian, nay-saying life force while committing public suicide by vodka. Keith Waterhouse has stitched a fine play, the season's highlight, from Bernard's own writing. Ned Sherrin directs. (437 2663).

Another Time (Wyndham's). New Ronald Harwood play, directed by Elijah Moshinsky, about a white South African family in Cape Town and Maida Vale. Albert Finney plays father and concert pianist son across 35 years, suggesting that talent is a means of escape and a reason for not going back. Janet Suzman and Sara Kestelman are electrifying in support (867 1116).

Aspects of Love (Prince of Wales). Andrew Lloyd Webber's latest is an intimate chamber operetta derived from David Garnett's 1955 novella. Musically interesting and well directed by Trevor Nunn, a cast of unknowns project the right sense of sybaritic insouciance. A probable, but unspectacular, hit (839 5972).

New York

The Sound of Music (New York State). The New York City Opera performs the Trapp Family saga starring Debby Boone as Maria and Laurence Guittard as Captain von Trapp. Ends April 22.

Heidi Chronicles (Plymouth). Wendy Wasserstein's award-winning drama covering 20 years in the life of a successful American baby boomer goes from support for Eugene McCarthy's presidential aspirations to electoral ambitions in the 1980s, accompanied by the musical and emotional flavour of the period (239 6200).

Gypsy (St James). This 30th anniversary production does more than revive a rich, vivid musical; it also introduces a new belter in the Merman tradition, Tyne Daly, as the bossy, tireless and tuneful Rose, who shamelessly leads her daughter into burlesque while rejecting a personal life for herself (246 0102).

Grand Hotel (Martin Beck). Tommy Tune, Broadway's present musical doctor, directs this remake of the Garbo film to at least shake the bones of this inert depiction of lives criss-crossing in an elegant, but somewhat random setting (246 0102).

Sweeney Todd (Circle in the Square). An intimate production of the Sondheim-Wheeler musical in contrast with the elaborate original a decade ago emphasises the descent into madness of Bob Gunton as the demon barber of Fleet Street (239 6200).

Lend Me a Tenor (Royale). A sprucing up in the set of a decaying town's big time opera ambitions makes a transatlantic hit of this farce, first produced in London, but now with a local cast led by Philip Bosco and Victor Garber (239 6200).

Les Misérables (Broadway). The magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama (239 6200).

M. Butterfly (Eugene O'Neill). The surprise Tony winner for 1988 is a somewhat pretentious and obvious meditation on the true story of the French diplomat whose long-time mistress was actually a male Chinese spy (246 0220).

Phantom of the Opera (Majestic). Stuffed with Maria Bjornson's gilded sets, Phantom rocks with Andrew Lloyd Webber's haunting melodies in this mega-transfer from London (239 6200).

Washington

Stardust (Eisenhower). Betty Buckley stars in a new musical compendium featuring the music of Glenn Miller, Duke Ellington, Hoagy Carmichael among others. Ends March 25. (467 4600).

Chicago

'Tis Pity She's a Whore (Goodman). Jo Anne Akalaitis of the Mabou Mines troupe directs John Ford's classic about incest, set here in Italy of the 1930s and starring Lauren Tom as Annabella and Jesse Borrego as Giovanni. Ends April 7. (443 3800).

Steel Magnolias (Royal George). Ann Francis and Marcia Rodd play the leads in this view of southern life from under the dryers in a busy hairdressing establishment (988 9000).

I'm Not Rappaport (Briar St). Shelley Berman, one-time stand-up comic, now plays Nat, Herb Gardner's memorable Central Park character who gags his way through the 1986 Tony Award winner (348 4000).

The Good Times are Killing Me (Body Politic). This City Lit production of Lynda Barry's first play captures an American childhood with poignant zaniness (871 3000).

Tokyo

Kabuki. At the National Theatre Tengenjaya Mura is an action-packed low-life drama about a serving man who turns to drink and crime (265 7411). At Kabuki-za there are two mixed programmes at 11am and 4.30pm, starring mainly younger actors, including the famous Onnagata Tamasaburo. One oddity is a modern kabuki play written by Yukio Mishima, performed to mark the 20th anniversary of his death. Both theatres have excellent earphone guides in English as well as English-language programmes. (541 3131).

The King and I. Stacy Keach steps into Yul Brynner's shoes in this first major revival of Rogers and Hammerstein's popular musical since Brynner's death. Mary Beth Peil as Anna the governess. Tokyo Koseinenkan Hall(432 1212).

The Fantasticks. Return visit of a New York cast in the twee musical that's celebrating its 30th anniversary off-Broadway this year. Sunshine Theatre, Ikebukuro (987 5281).

Sarafina. Hit musical from South Africa via Broadway, with a cast of highschool kids. Kan'i Hoken Hall, Gotanda. Ends March 19 (589 3066).

SALEROOM

Impressionist build up

Christie's is piling more goodies into its mega May 15th sale of Impressionist and modern art in New York. It has won the battle to auction five works from the collection of the late Robert Lehman, which should bring in up to $60m. It now seems certain that the sale will top $300m, giving it the highest ever total for any fine art auction – although Sotheby's will run it close with its sale the next day.

The highlight of the Lehman paintings is an 1890 self portrait by Van Gogh, one of the few he signed. He is wearing a yellow jacket against a bright green background and the estimate is up to $30m. Christie's *has already announced that in* the same auction it is offering another Van Gogh portrait, of his physician, Dr Gachet, with a top estimate of $50m.

The other Lehman paintings include a Toulouse-Lautrec of a high class prostitute which could set a record for the artist if it makes its estimate of $15m; a Modigliani portrait of his mistress Jeanne Hébuterne ($6m); a Renoir nude (up to $8m); and a Kees van Dongen of a young lady rider.

What makes the collection significant is that Christie's has offered the executors of the Lehman estate a guarantee on the pictures, of presumably something in excess of $40m. This is the first time that Christie's has guaranteed a vendor a certain sum but was forced to take the step, which it publicly fought against for years, because it has been losing important collections to Sotheby's, which has offered guarantees for some time. Obviously Christie's has faith in the continuing strength of the art market. – least until the end of May.

Coming down to earth Christie's sale of British drawings and watercolours yesterday managed £242,231 with 20 per cent unsold. Hector Caffieri is popular these days and his vision of a young seaweed gatherer on the beach doubled its estimate at £8,250. Another pretty girl by Edward Hughes also doubled its forecast in realising the same sum.

Antony Thorncroft

FINANCIAL TIMES
NUMBER ONE SOUTHWARK BRIDGE, LONDON SE1 9HL
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Wednesday March 14 1990

Decision time for Israel

HAS THE patience of the Israeli Labour Party at last snapped? It seems so, but there have been so many previous last-minute compromises that one should perhaps wait for tomorrow (when the resignations of the Labour ministers actually take effect) before assuming that the Government of National Unity has indeed broken up.

It must be hoped, however, that this time the Labour leadership's resolve will not waver. It is by now amply demonstrated that a government headed by Mr Yitzhak Shamir and dominated by his Likud block will never embark on a process designed to lead to genuine peace between the Israeli and Palestinian peoples.

That Israel confronts a Palestinian national movement is hardly denied any longer, after 27 months of the *intifada*, by even the most purblind Israeli. That this movement wishes to be represented politically by the Palestine Liberation Organisation is also clearly attested by every spokesman for it that has been interviewed. And since the PLO accepted the principle of peace with Israel, Israel's objection to negotiating with it no longer finds any significant echo elsewhere in the world.

Unpalatable reality

That Israelis find it difficult to embark on negotiations with a body formerly dedicated to the extinction of their state is understandable. But much has been done to make it easier for them. The US, the Egyptian government, and the PLO itself have bent over backwards to avoid making the unpalatable reality too explicit. Mr Shamir's own suggestion that Palestinians in the territories should elect their own representatives could have been a valuable contribution to this process, since no one really doubts that a free election would produce a delegation of PLO supporters. But Mr Shamir has never behaved as though he meant his suggestion to be implemented. To each painfully negotiated American-Egyptian compromise proposal he has replied by setting new and more restrictive conditions. Lately the public tone of remarks by Mr James Baker, the US Secretary of State, has grown audibly more impatient with Israel's prevarication. Taking their cue from him, perhaps, the Labour leaders have called time.

Clear programme

Eventually the deadlock should be broken by the Labour party seeking and obtaining a popular mandate for a clear peace programme. But Labour is not well prepared for that. Its repeated efforts to find common ground with Likud, and to avoid appearing soft in the eyes of the electorate, have left it with a position which is scarcely more credible as a basis for peace than that of Mr Shamir himself. Labour, too, opposes any official or explicit dealings with the PLO, opposes any proposal for an independent Palestinian state, and insists that the whole of Jerusalem must remain under Israeli sovereignty. A peace platform containing those planks will be difficult to make credible at the hustings, since it amounts to a pledge to open negotiations without any real prospect of bringing them to a successful conclusion.

The actual process of negotiation can lead both sides to modify their positions; and an agreement actually reached with the other side is on the whole easier to sell to one's own side than a hypothetical peace which the other side has yet to accept. That being so, Labour is probably right not to go for an immediate election, but to try for a new government based on those parties in the present Knesset that are at least willing to embark on the negotiating process.

Such a narrow majority would have to include some if not all of the religious parties – most of which are less interested in the territorial extent of the Jewish state than in the rigour with which its Jewishness is defined and the extent of their own influence within it. To win their support Labour will have to make concessions which go against its secular and liberal principles. But it will be right to do so, for in the end the greatest threat to those principles lies in the continuation of the state of war with the Palestinians, which has already had such a deleterious effect on Israeli society.

Labour's plan for training

THE THATCHER Government dominated Britain's educational and training debates in the 1980s. The Labour Party criticised aspects of initiatives such as the Youth Training Scheme and the National Curriculum but was unable to articulate a convincing alternative. The balance of influence, however, could look different in the 1990s. Investing in Britain's Future, Labour's programme for post-16 education and training, is a spirited attempt to seize the initiative in a sphere where Government thinking remains muddled.

The first step in such an attempt is to demonstrate the failure of past strategies. In education and training, Labour's task is easy. The Thatcher Government has not achieved a significant increase in staying-on rates which remain low by international standards. Academic achievement is unimpressive. Only about 30 per cent of 16 year olds gain the equivalent of five or more good GCSEs while just 16 per cent of 18-year-olds gain two or more A levels. The number of apprenticeships has *fallen* since 1979 – apparently by almost two thirds in manufacturing. At the same time, only a tiny proportion of YTS graduates have gained worthwhile vocational qualifications. Around a third of 16 to 19 year *olds* receive *no education* or training.

Higginson Committee

It is thus impossible to argue that 1980s policies served the needs of the majority of 16 to 19 year olds. But what kind of reforms would improve matters? Labour's reform ideas draw unashamedly on the work of bodies such as the Confederation of British Industry, the National Institute and the Higginson Committee, the official working party set up to advise ministers on the future of A levels. In many respects, its programme reflects an emerging consensus among educationalists and employers.

This is particularly clear in sixth form education. Mr John MacGregor, the Education Secretary, remains doggedly committed to A levels – elitist exams which date from the early 1950s. He refuses to accept that an academic curriculum of just three subjects, usually related, is too narrow even for the brightest academic students and inappropriate for the bulk of 16 year olds. Labour, in backing the Higginson Committee's arguments for a broader curriculum, is swimming with a strong educational tide. It wants sixth formers to study a wider range of disciplines and advocates a core curriculum including mathematics, English and a modern foreign language.

Vocational training

For less academic students, Labour envisages a new four-year technical and vocational traineeship. This would be predominantly education based in the first two years and employer based thereafter. Young people would be able to continue with academic studies beyond 16 while also acquiring technical and vocational skills. This would address a principal criticism of present training programmes – that they focus too narrowly on the immediate needs of employers. Students who choose the vocational route at 16 would not be making an irrevocable decision because completion of the traineeship would qualify them for higher education. Labour would also commit itself to a series of explicit targets. For example, by 1995, *80 per cent of 16 to 18* year olds should attain five good GCSEs or the vocational equivalent.

Many of the details of Labour's approach remain unclear, especially on the training side. It promises school leavers a written guarantee of their entitlement to future education and training. But it does not say what it would do if large numbers of school leavers spurn its traineeships. Would it, like West Germany, make some form of training compulsory? Lengthy and rigorous vocational courses, with a substantial component of academic study, are certainly needed if the British economy is to remain competitive in future decades. But the chances of shifting the cost of such courses onto either employers or students are not high. Labour is right to argue for much greater investment in "human capital" but it has yet to confront the Exchequer costs of this laudable policy.

EC institutions are seeking a wider mandate, report David Buchan and Tim Dickson

Tackling the democratic deficit

The European Community's institutions are in for a serious jolting this year – from the sideways shock of absorbing East Germany, from the frontal impact of negotiations to achieve economic and monetary union (Emu), and from the hammering away of a Parliament in constant search of more clout.

The Strasbourg assembly will today overwhelmingly approve a report demanding new powers, including equal legislative standing with EC governments represented in the Council of Ministers and the right to elect the Brussels Commission.

East Germany poses far less of an institutional problem in joining the Community by merging with an existing member than it would by entering as the 13th state. West Germany has the same two seats in the Commission, 10 votes in the Council of Ministers and 81 seats in the Parliament as the three other largest EC states. Bonn says it will want no extra representation for a unified Germany. But even if it eventually does, accommodating such changes will be easy compared to the task of applying EC policies to businesses and people on East German territory.

Much more important is the assumption that flux in eastern Europe requires greater institutional solidity in western Europe. Behind this is the worry, as expressed by Prime Minister Wilfried Martens recently, about the EC "melting away under the warm glow of pan-Europeanism." This could be dismissed as predictable hand-wringing from the leader of a fervently federalist Belgium were it not for the fact that the sentiment is shared by most other EC governments. They feel that the chief geo-political contribution the Community can make to the new Europe is to strengthen its own institutions, the better to anchor united Germany.

Thus, the East is still acting as a catalyst in the Community debate on reform, even though people like Mr Jacques Delors, the European Commission president, and President Mitterrand of France lost their bid to use it as a pretext to bring forward the inter-governmental conference (IGC) on monetary union set to start at the end of this year. Mr Helmut Kohl, the West German Chancellor, told them he had to give priority to Emu between the two Germanys before tackling it among the Twelve. In fact, the very delay of the IGC simply serves the interests of those who want it to have the widest possible agenda.

In other ways, the link with developments in the East is still very much alive in minds of many EC institutional reformers. Mr David Martin, the British socialist whose report on sweeping new powers for the European Parliament was endorsed in Strasbourg this week, notes that the case for making Council of Ministers debates public is strengthened "because with democracy now in the East, the Council is the only body left in Europe which makes laws behind closed doors." He, and many others in the Parliament and the Commission, say the willingness of EC governments to dovetail their foreign policies towards the East, under the Commission's lead, shows that the Twelve can, and should, start pooling policy towards other parts of the world.

Well before the latest German events, proposals for institutional reform were flooding in, undammed by the prospect of the forthcoming IGC revising the Community's treaties. The biggest demands have been tabled by the Parliament which is calling for:

● Majority voting in the Council on all EC legislation, even matters like tax where the requirement for unanimity now gives individual states a veto.

● Co-decision for the Parliament, ensuring that legislation could only come into force if both the Council and the Parliament explicitly approved. The Parliament can now only make amendments which may be ignored by the Council.

● The Parliament to share in the Commission's right to initiate legislation.

● The right of the Parliament to elect the Commission's president.

Other solutions have been put forward to fill what has become known as the democratic deficit – a phrase designed to highlight a relative lack of control over EC policies and laws by Europe's elected representatives. From Mr Michael Heseltine, the Tory dissident who has been banging the pro-Europe drum in his bid for eventual power in the British Conservative party, has come the argument that this democratic deficit is best filled by giving national parliaments more control over EC policy. He has proposed giving Strasbourg an upper house, a Senate composed of representatives from national parliaments. This idea has some support from Mr Delors, though he is more concerned with efficiency than democracy in EC decision-making. The Commission president himself has suggested that governments should either give him and his fellow 16 commissioners more executive power or they should station ministers with the rank of deputy prime minister in Brussels as permanent, high-level managers of European business.

This debate is, however, running ahead of itself. When the 12 governments sit down to their conference, strictly speaking they alone will determine the agenda – not the Parliament, not Mr Delors and certainly not Mr Heseltine. Their immediate task will to be try to agree on moves towards economic and monetary union (Emu). This will have implications for EC institutions. Even the UK Government – which strongly opposes the Delors report's proposed European System of Central Banks – agrees. It objects that control of such a system would require a European finance ministry, even government – for which Europeans are not ready.

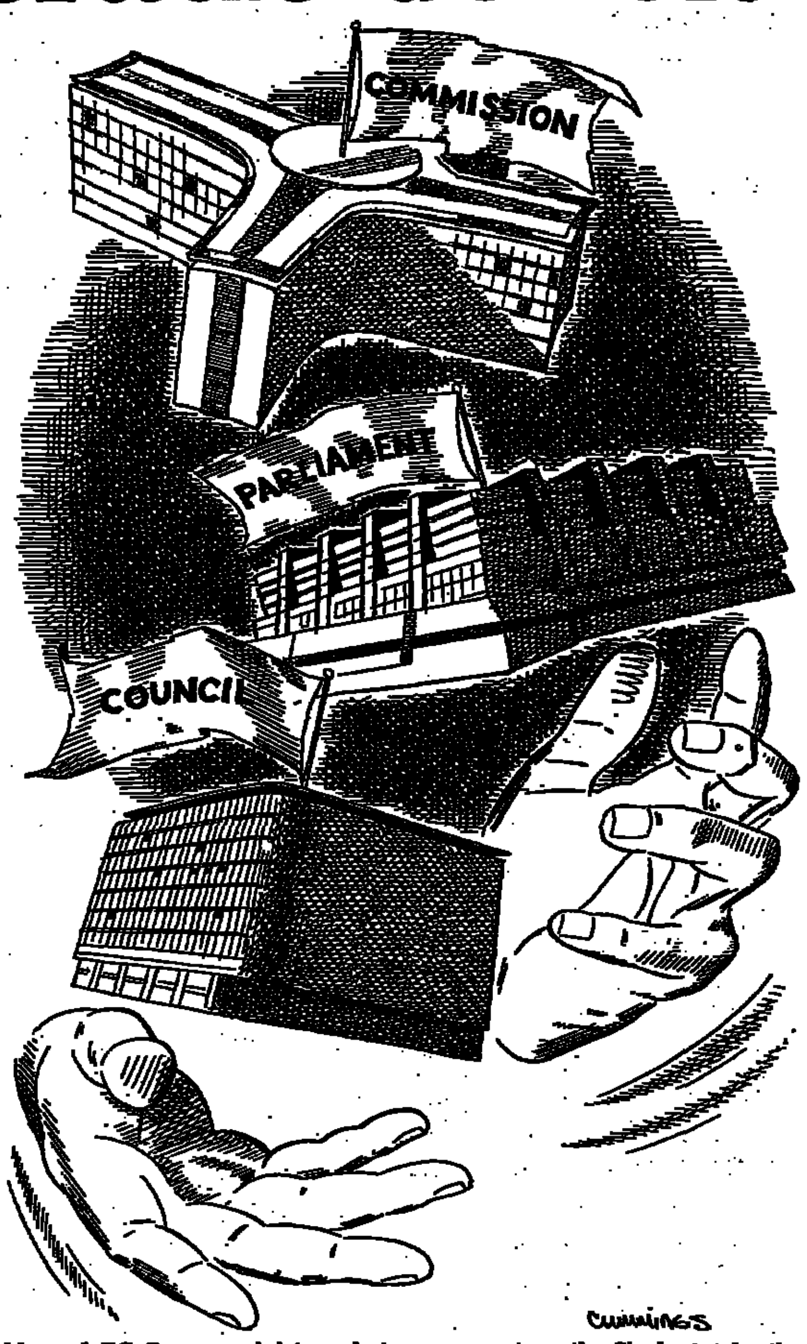
So far, there is little on the table in the way of strictly Emu-related institutional reform. The Delors committee report, now nearly a year old, suggested that the democratic accountability of a system of central banks might take the form of the Euro-bank reporting once a year to the European Parliament and EC heads of government. Despite its name, the Delors report is not (or at least not yet) official policy of the Commission, which is to due to issue a cost/benefit analysis of Emu to finance ministers this month and a report on institutional aspects to foreign ministers in May.

In fact, reckons one seasoned national diplomat in Brussels, "the final role of the Parliament may not in the end be very large in an Emu, because most people won't want it to control the Euro-bank." He argues that the only way to meet West Germany's particular concern about central banks being free of the vagaries of party political control is for a sharp distinction to be made between "control" and "accountability." Thus, the Euro-bank would be "accountable" in the sense of giving periodic account of its activities, to the Strasbourg assembly and EC finance ministers, but without being under their operational control.

It is also misleading, says this diplomat, to think that because there is more talk of the democratic deficit that the average European-in-the-street suddenly feels aggrieved about the lack of democracy in the Community. Rather, there are "two main vested interests – the Parliament and the Commission – which are permanently in favour of institutional reform," he says. "The democratic deficit is not an objectively observed truth, but more a slogan, a standard behind which these vested interests will march into battle."

None the less these vested interests may wrest some notable concessions from governments at the inter-governmental conference. They did so five years ago at the IGC that created the Single European Act. This time, the Commission and the Parliament may face a British Government which is more opposed than ever to granting them more powers. In 1985 the Thatcher Government was lured into agreement on the Single Act by the prospect of getting the single market programme under way. Now, however, Mrs Thatcher is more isolated among the Twelve than ever, not only on Emu itself, but also on the issue of giving Strasbourg more clout. She is also more isolated inside her own country, if not party; in an extraordinary indication of Labour's new stance on Europe, last week the British Labour group backed the Martin report by 28 votes to eight.

Backing for reform is sure from many of the Community's Latin and smaller member states, among them Ireland and Italy who successively hold the EC presidency this year. Mr Kohl, at least until pan-German visions started to dance before his eyes, repeatedly said the current European Parliament should be the last to have its present powers and that the next Parliament should be elected in 1994 with new competences. A significant shift has also taken place in Denmark which hitherto has shared many of the British Government's reservations about the federalist drift in EC institutions, and in particular in Strasbourg. The Danish Folketing (parliament), traditionally even touchier than Westminster about its sovereignty, is now on record as welcoming the inter-governmental conference, provided it is widened beyond monetary union to allow majority Council voting – and consequent greater involvement of the European Parliament – in social and environmental policies.



Short of actually sitting in on the conference, the Parliament's hope is to at least help set the agenda by making it as wide as possible. Its Spanish socialist president, Mr Enrique Baron, has proposed to EC foreign ministers the holding of a pre-conference in May or June to discuss constitutional reform. Its federalist ally, the Commission, will certainly attend, and the Irish presidency will probably not be absent. But the steeper the Parliament pitches its demands, the more likely it is to arouse the jealousies of national parliaments, which must ultimately ratify any treaty changes. MEPs realise the danger. "The last thing we want to do is to make them hostile to what we propose," says Mr Martin. So, after hosting its IGC pre-conference, the Parliament proposes holding *assises* with national parliaments to keep them informed and to canvass their support for reform.

Can MEPs win over MPs to their cause? Long-time federalists like British Tory MEP Bill Newton-Dunn believe so, arguing that far from taking power from national parliaments, Strasbourg is only fighting to regain powers of control lost by the separate legislatures of the Twelve. The latter, he says, "surrendered their powers when they first allowed their ministers to go to Brussels to make collectively-binding EC decisions." Arguably, the real undermining of national democratic control only came with the Single Act. Increased use of majority voting meant that even very tight national control of a minister's conduct in Brussels could be rendered pointless when that minister could be out-voted. Thus, all the talk at Westminster of improving the present derisory degree of effective scrutiny, let alone control, by the House of Commons may be rather moot, because logic now points to greater control at the EC level.

However, given that what Strasbourg is now demanding may be too much for national governments and parliaments to swallow, what about filling that democratic deficit by simply making debate in the Council public? It is hard to defend the fact that a body which plays the biggest part in passing legislation of increasing importance of a particularly entrenched kind (taking precedence over national law) and which is difficult to repeal (requiring EC, not national action) – operates in secret.

Briefings by EC Councils are quite enough for reporters, but this form of partial and filtered publicity is insufficient for businessmen, for whom the devil is often in the detail of EC legislation. It is also galling for national MPs who always have to learn second-hand about the laws they will shortly have to place on their national statute books.

The argument for letting the sunshine into the Council is that majority voting on many issues has changed the nature of the game; behind-the-scenes horse-trading is no longer so necessary to get ministers to abandon their vetos. But ministers and diplomats insist they must still have some privacy to search for the compromises that make the Community go round. This is clearly special pleading. But the political fact is that while most member states may feel uneasy about the present institutional arrangements the onus will be on the reformers to improve them.

OBSERVER

Just the man for Wales

■ The clever move for Mrs Thatcher, in her present rather serious predicament, would be to invite Michael Heseltine to rejoin the Cabinet as Secretary of State for Wales in succession to the departing Peter Walker. He would find it quite difficult to refuse.

Heseltine, after all, has said many times that he does not wish to make an outright challenge to the Prime Minister and that he wants to maintain the unity of the Conservative Party. What better way of showing his loyalty than by agreeing to return to the Cabinet in time of trouble?

It is not as if Wales would be too small a job for him. It was ideal for Peter Walker, who is a very similar kind of Tory. The Secretary of State is allowed a great deal of autonomy and can put his own brand of economic interventionism into practice, as Walker showed. Moreover, Heseltine has a Welsh background.

And if the Prime Minister does not make the offer to bring him back, the former Defence Secretary will become an ever more serious threat to her hold on office. If she offered, and he turned her down, he might be deflated.

Castro's arms

■ A Soviet-built Ilyushin airliner arrived at Brasilia airport on Monday. It carried the advance guard of 83 officials preparing the way for the visit of Fidel Castro to the inauguration of Brazil's President-elect, Fernando Collor de Mello.

In their baggage, according to the usually-reliable Jornal do Brasil, were 10 tonnes of weaponry including submachine guns, grenades and anti-aircraft missiles. Nine hours of negotiations between the delegation and the Brazilian Foreign Ministry eventually led to the bulk of the arsenal (minus a few side arms) being sent back to Havana.

Meanwhile, Castro's agenda is being kept a secret. "The security question is a neurosis for the Cubans nowadays," said one Brazilian organiser of the visit.

Staying power

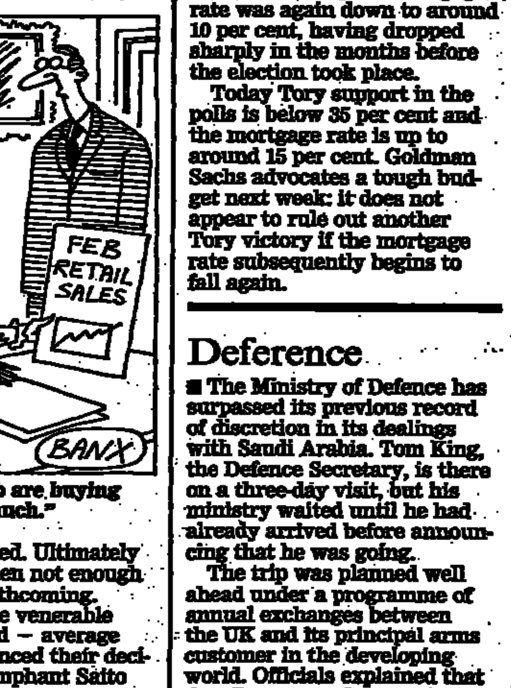
■ Eishiro Saito, 78, acquired the title "Lucky Boy" in 1977 when the death of a superior unexpectedly cleared the way for him to become president of Nippon Steel, the world's largest steel producer. His luck is still holding out: he was confirmed this week for a third two-year term as chairman of the Keidanren federation of industrial organisations, despite grumbling in some quarters about his leadership and an abortive attempt by an old rival to unseat him.

The Keidanren is like the CBI, but with power. Its leaders used to pride themselves on holding sway over cabinet appointments, although the organisation has lost some of its influence in recent years because of widening internal divisions over policy directions, notably between industries benefiting from liberalisation trends and those not.

Saito was brought up in an era when differences of this kind could be smoothed over at the Mah Jongg table or on the golf course. His motto is to always look on the bright side. But he is accused of lacking a vision of Japan's future in the world during his tenure as chairman. He is also criticised for bowing too easily to pressure from the ruling Liberal Democratic Party for large contributions to finance last month's general election campaign.

Gaishi Hirawia, chairman of Tokyo Electric Power, who was first defeated by Saito in 1986, took soundings early this year on whether the chairman could be unseated. Ultimately he retreated when not enough support was forthcoming.

This week, the venerable Keidanren board – average age 75 – announced their decision, and a triumphant Saito told reporters in Tokyo that rumours that he would retire at the end of the year were totally unfounded. "No marathon runner would think of retirement before he starts a race," he said.



"Rent-a-mob are buying too much."

Right rates

■ There is an intriguing graph in the latest UK Economics Analyst from Goldman Sachs International. It shows the relationship between the mortgage rate and support for the Conservative Party from 1979 onwards.

This relationship is remarkably close. For example, when the Tories won the 1983 general election by a landslide, the mortgage rate was down to around 10 per cent, having fallen steadily over the previous year or so.

When Tory support fell below 30 per cent in the opinion polls in 1985, the mortgage rate was nearly 15 per cent. And when the Tories won the election in 1987, the mortgage rate was again down to around 10 per cent, having dropped sharply in the months before the election took place.

Today Tory support in the polls is below 35 per cent and the mortgage rate is up to around 15 per cent. Goldman Sachs advocates a tough budget next week: it does not appear to rule out another Tory victory if the mortgage rate subsequently begins to fall again.

Deference

■ The Ministry of Defence has surpassed its previous record of discretion in its dealings with Saudi Arabia. Tom King, the Defence Secretary, is there on a three-day visit, but his ministry waited until he had already arrived before announcing that he was going.

The trip was planned well ahead under a programme of annual exchanges between the UK and its principal arms customer in the developing world. Officials explained that the silence was due to "the usual Saudi sensitivities" and that Britain "tends to go along with Riyadh's wishes" when it comes to publicity.

When the Saudis concluded a framework arms agreement in 1988, estimated to be worth more than £10bn, the MoD limited itself to a three-paragraph statement giving no details. It was probably just as well, because contracts for the deal are still waiting to be signed 20 months later.

Read the text

■ A friend sent her young son to the corner shop at the last minute to buy a birthday card for her daughter. The picture on the front was pleasant enough; nobody read the verse until the next day: "I get to like you more and more. Oh, how I wish you lived next door."

Budgeting for blacks

Patti Waldmeir looks at the strategy behind today's budget in South Africa

For most black South Africans, apartheid and capitalism are merely two different ways of *institutionalising inequality.*

The former must be abolished – on that point, the Government and black political leaders agree. But the fate of the country's economic system remains in the balance.

While the rest of the world settles into the post-socialist era, the ideological battle in South Africa is just beginning. Pretoria is arguing that capitalism alone can generate the economic growth needed to narrow the prosperity gap between black and white. That in itself is a major conversion.

After more than 40 years of Afrikaner socialism – the heavily interventionist economic system which has uplifted whites the Afrikaner, but led to inefficiency and waste – Pretoria has been reborn into the capitalist faith.

But many blacks, and most of the country's black political leaders, question the tenets of that faith. They blame capitalism as much as apartheid for depriving them of the fruits of their labour under whites.

Pretoria's argument that more, not less, capitalism is needed sounds to blacks like a last-ditch attempt to protect white vested interests.

South Africa's mandarins and businessmen know that the survival of a free market system will depend on their ability in the next few months and years to prove to a wider audience that *capitalism can bring material benefits* to blacks.

Thousands of black taxi drivers need no persuasion. Deregulation of South Africa's public transport system has multiplied their income in the last three years. And as non-whites have moved *into more senior clerical and semi-*skilled jobs, wealth previously trapped at the top of the pyramid has also started to trickle down to non-whites.

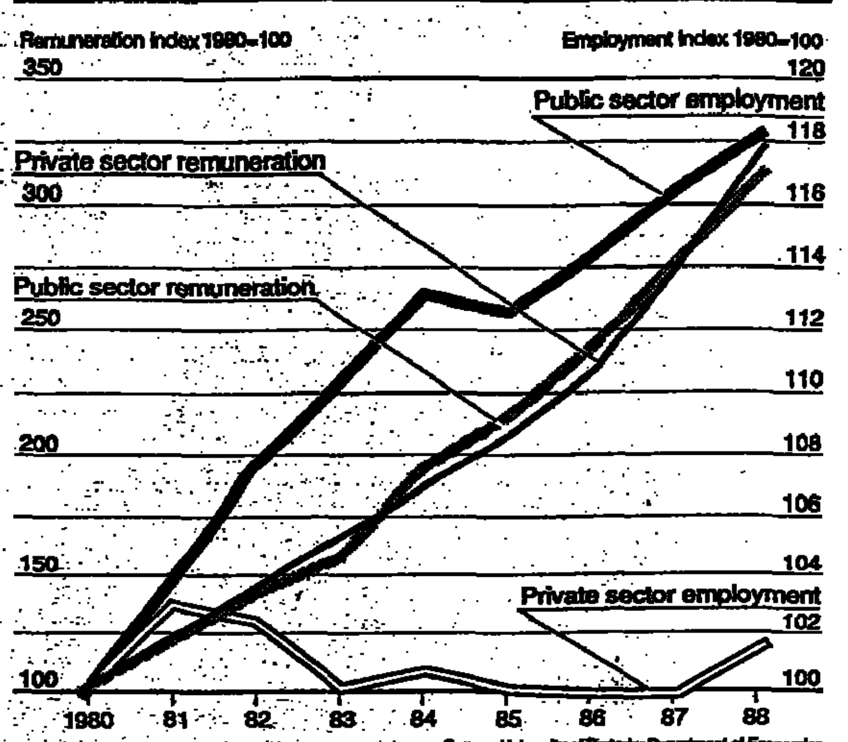
But the gap between white and black incomes remains wide. According to the South African Institute of Race Relations, per capita income of whites in 1987 was estimated at R14,880 (about £3,550) compared to R1,246 (£300) for blacks. The comparable figures for coloureds and Indians were R3,000 and R4,560 respectively.

Government spending is similarly skewed. Mr Stoffel van der Merwe, the Education Minister, says per capita expenditure on education, including capital expenditure, totalled R3,082 for whites in the 1988-89 fiscal year and just R765 for blacks. Per capita spending on health was R597.11 for whites and R137.84 for blacks.

The Government hopes that narrowing the spending gap – a process started in recent budgets – will give capitalism credibility among blacks. The 1990-91 budget, due to be presented to the parliament today by Mr Barend du Plessis, the Finance Minister, is expected to take major steps in that direction.

The aim is to persuade blacks that fiscal policy can be used to redistribute the nation's wealth and that there is no need to resort to more interventionist methods like nationalisation, a policy which Mr Nelson Mandela, the deputy president of the African National Congress, has repeatedly said he favours.

South Africa's employment and remuneration per worker



Source: University of Pretoria; Department of Economics

Government officials say they see the budget as part of their negotiating strategy in talks on a new constitution which should begin soon.

Mr Edward Osborn, chief economist at Nedbank, one of the country's largest banking groups, believes that re-allocating government spending in favour of black social services "is the only means government has of demonstrating that there is an alternative to nationalisation without harming the whole fabric of the economy."

But Pretoria has made clear that increased spending on black social services must not jeopardise the fight against inflation, currently running at around 15 per cent.

In fact, most economists are projecting a small real cut in Government spending overall.

Budgeted at R64m for fiscal 1989-90, they predict an increase of 11 to 13 per cent in 1990-91, against inflation expected to end the year at 13 or 14 per cent.

A large shift in spending on black social services would therefore mean that other areas of the economy – notably defence – would suffer. The protected preserve of the former President, Mr P.W. Botha, himself a former Minister of Defence, is likely to find itself a casualty of peace in southern Africa.

Economists believe that spending on defence could be cut by as much as 13 per cent in real terms, from the R9.9bn budgeted in 1989-90. The withdrawal of South African troops from Angola and Namibia, following a UN-sponsored peace deal giving Namibia independence from next week, should generate much of the saving.

Pretoria's decision to seek peace with the ANC will further reduce the priority of defence. Already Government has cut compulsory military service for whites from two years to one. Defence cuts could give Mr du Plessis as much as R1bn to R1.5bn to redistribute in the new budget. A large proportion of the saving could be redirected toward the critical areas of black education, health and housing.

Mr Nico Cypionka, Standard Bank chief economist, believes there may be a large swing in Government spending from white to black education. Many economists argue that this is the trend of the future; affluent parents will pay for on their children's education while the state concentrates on blacks.

Although comprehensive tax reforms promised by the Government are not likely, the budget is expected to include some limited tax concessions.

All this must be achieved without breaching the strict fiscal and monetary discipline needed to fight inflation and to ensure Pretoria can continue to meet heavy foreign debt repayments by generating large surpluses on the current account of the balance of payments. Government officials say a surplus of some R6bn may be needed to cover foreign debt commitments this year.

So far, there is every sign that Government is for the first time in years committed to more than just the rhetoric of restraint.

Government spending for the full year may end up within R1bn or so of the R64bn orginally budgeted. And with revenues likely to exceed the budgeted figure of R55bn by a substantial amount – perhaps as much as R4bn to R5bn – the 1989-90 deficit before borrowing could total as little as half the projected figure of R9.9bn, or under 3 per cent of GDP.

Economists say the positive outturn is mainly the result of Pretoria's failure to correctly project budget revenues. But they welcome the fact that Government appears to have kept to its own spending projections for 1989-90. If similar discipline is maintained in 1990-91, the deficit before borrowing could again total less than 3 per cent of GDP.

No-one underestimates the difficulties which lie ahead. Government must somehow meet the legitimate demands *of a deprived black population without* impairing economic growth. It must do so at a time of great political uncertainty and as the economy enters a period of low growth. Growth is not expected to exceed 1 per cent in 1990.

But policy-makers are adamant that future growth will depend on Pretoria getting its own finances in order now. Mr F.W. de Klerk, the State President, has appointed one of South Africa's toughest businessmen to tackle public sector waste. He is a former Minister for Privatisation, Mr Wim de Villiers, a former chairman of Gencor, the big mining group, who takes the new title of Minister for Administration and Economic Co-ordination tomorrow. In the words of one economist, Mr de Villiers has already been "wandering through the budget with an axe."

Privatisation of state industries – which began with the sale of the Sasol synthetic oil-coal corporation in 1979, and last year saw the flotation of Iscor, the iron and steel corporation – will help reduce government's share of the economy.

But the task is enormous, as illustrated by the graph, which shows uncontrolled growth in public sector employment in recent years.

According to a recent survey, Pretoria, the seat of government, remains the nation's richest city. South Africa's civil servants, many of them right-wing Afrikaners who oppose Mr de Klerk's political reforms, are not going to give up their privileges without a fight.

Preparing for the Budget

Why Mr Major must get his signals right

By David Currie

In his first Budget next week, Mr Major must make an important judgment about the overall stance of fiscal policy. One of his main concerns is whether current policy is sufficiently tight to restrain domestic demand and reduce inflation and the current account deficit.

The Chancellor is being urged to tighten fiscal policy, possibly through non-indexation of allowances in line with inflation, in order to play safe with domestic demand: this argument has been strengthened by this week's announcement of the February retail sales. Some commentators are suggesting a tightening of fiscal policy with electoral considerations in mind: a tight Budget this year will leave *room for greater tax cuts and/* or larger interest rate reductions next year in the lead-up to the next election.

The case for maintaining a tight policy stance is well-made. The British economy is *suffering from continued high* inflation and a very large current account deficit. The recent London Business School forecast saw the current account deficit falling by about one third, to under £13bn this year, but thereafter adjustment stalls and the current account deficit continues at a little above 2 per cent of GDP into the medium term. Although the "headline" retail prices index inflation rate falls from its current 8 per cent level, underlying inflation worsens through to 1991, before drifting down to the 5-6 per cent range. This British economy still exhibits the big overhang of the substantial boom of 1987/88, and the resulting inflation and balance of payments problems continue beyond the next election.

A tightening of fiscal policy would be inappropriate unless linked to entry into the ERM

In spite of this, a tightening of fiscal policy in the Budget would not be appropriate unless it is linked to UK entry into the Exchange Rate Mechanism. Since we do not consider EMR entry likely in the near future, though it would be highly desirable for controlling inflation, we think that a fiscal tightening would be ill-judged. Fiscal relaxation is not an option, and so a neutral Budget is called for.

The reason that we argue for a neutral Budget concerns the exchange rate. Sterling fell 12 per cent last year on the effective exchange rate, and although it recovered some of *that ground in January and* February, these gains disappeared last week. This exchange rate depreciation, actual and anticipated, is the reason why we are pessimistic about UK inflation trends. *Companies have little pressure* on them to restrict price and wage increases when they can raise sterling prices against European competitors without pricing themselves out of markets. The Chancellor can ill-afford further exchange rate falls if he is serious about tackling inflation.

The danger with a fiscal tightening is that it will give the wrong signal to foreign exchange markets, and trigger a further fall in sterling. This is because the markets may well view tighter fiscal policy as signalling lower interest rates in the future, not a general tightening of the policy stance. Indeed the markets are quite likely to interpret in this way. For if sterling were to appreciate as a result of Budget tightening, inflationary pressures would be reduced, and the Chancellor would then be under greater political pressure to cut interest rates next year ahead of the election. An exchange rate appreciation would therefore create the conditions in which interest rate cuts are more likely. But anticipated interest rate cuts will depress sterling, so that the appreciation will not materialise in the first place.

If the Chancellor wishes to bear down on inflation by a tightening of fiscal policy, he needs to find a means of signalling this medium term intention in a convincing way, if an exchange rate depreciation is to be avoided.

The Medium Term Financial Strategy was originally conceived with this aim but has gone through so many transformations that it has lost credibility. In our view, the most effective signal would be provided by a commitment to the Exchange Rate Mechanism, with the firm anchor to German *inflation* rates *that* this would provide.

However, we are not optimistic about an early announcement of ERM entry. Failing that, the Chancellor would do better to go for a Budget that is *neutral in macroeconomic* terms.

Much can be done to reform the tax system. A neutral Budget need not be a dull one

The focus should instead be on the microeconomic aspects of tax policy: there is much that can be done to reform the tax system to encourage private savings or promote environmental aims. A neutral Budget need not be a dull one. (This article is based on the Economic Viewpoint published in the London Business School Economic Outlook at the end of February)

The author is Professor of Economics at the London Business School and a director of The Centre for Economic Forecasting.

LETTERS

'Double standards' for UK company sales

From Mr A. Sykes.

Sir, Lord Young's account ("Why I sold Rover to British Aerospace," March 7) sets out important insights into the Government's thinking on the principles which should govern the acquisition of British companies.

What was disturbing about Lord Young's explanation is that he and his officials took great account of the large number of jobs at stake in Rover and its suppliers which, he *said*, were *more* important than obtaining the highest sales proceeds. He also stated the importance of trying to keep ownership in British hands.

I have no objection to these principles. I would point out, however, that they are in marked contrast to the principles followed in practice by the Office of Fair Trading.

When a foreign company is bidding for a British company the professional advisers tell British boards of directors that little or no weight will be given to these factors and that the only criterion of substance is the promotion of competition.

I am not commenting on which set of principles is the more desirable. It is, however, *a quite unsatisfactory state of* affairs for the Government to defend its sale of Rover to British Aerospace by invoking principles which, in practice, are denied to the great majority of British companies bid for by foreigners. Double standards should be unacceptable.

In the light of the explanation for the Rover sale, the Government should either widen the grounds for British companies appealing to the Office of Fair Trading or apologise for applying different standards for the sale of Rover.

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The Hiroshima/Nagasaki toll

From Mr Robert Marshall.

Sir, In his review of Roland Joffe's film, Shadow Makers, (March 8) Nigel Andrews dismisses the final message of the film – that *200,000* were killed by the bombs at Hiroshima and Nagasaki – by asking the no-less-significant question, how many would have died if the bombs had not been dropped?

The answer is now quite clear.

A recently discovered top secret intelligence study in the National Archives in Washington DC states bluntly that it was Russia's declaration of war on August 8 1945, that led to Japan's decision to surrender – and that the bombs had not been necessary to stop the fighting.

"Investigation shows that there was little mention of the use of the atomic bomb by the United States in the discussions leading up to the decision *[to surrender].*"

The study, drawn up for the War Department's Operations Division in early 1946, confirms what military strategists had been telling the President and his Cabinet throughout the summer of 1945.

This was that the Soviet Union's expected attack against the Japanese would probably end the war.

Thus the answer to Mr Andrews's question is about 200,000 less than the final casualty list for the Second World War.

Robert Marshall,
18 Woodville Road, W5

A widening choice for MEPs

From Mr John Spellar.

Sir, Why, I wonder, are the members of the European Parliament still arguing between Brussels, Luxembourg and Strasbourg?

If they leave it much longer and the balance of Europe shifts east, the choice will probably be between Vienna and Berlin.

John F. Spellar,
115 London Lane,
Bromley, Kent

Taxation incentives needed to tackle Britain's transport problems

From Mr Keith Phair.

Sir, David Sawers ("Pricing is better than planning," March 5) suggests that flexibility in transport system capacity is a valuable characteristic. This is correct, but implies only that supply has to cope with demand.

The central difficulty of UK transport planning today is that many people have arranged their lives in a way which gives them little or no modal choice. Frequently they have changed their habits, homes and jobs in ways which make them entirely dependent on the car. This must be particularly true for many users of the M25 and out-of-town supermarkets, where complaints of congestion (and implicit cost) are not mirrored by reductions in demand. Transport demand curves have become increasingly price-inelastic.

Government policy has overlooked the need to ensure that *flexibility of demand* is maintained. Only if people have a choice of transport mode can pricing policies persuade them to alter their travel habits. They have had insufficient incentive to maintain such a choice in recent years; *subsidies* have an essential role in encouraging a flexible and sustainable balance between supply and demand for different transport modes.

Switching tax-breaks from company cars to company-provided public transport season tickets would be a start, and quite progressive in tax terms. Other helpful changes would include abolition of the flat rate Road Fund Licence, transferring the tax burden to petrol costs, and the introduction of "road-pricing" in major urban centres. Naturally, this would need to be accompanied by *more investment to increase* public transport capacity along established corridors.

Such transfers in the tax burden would merely be sensible long-term transport planning, benefiting even most road users through the removal of marginal, congestion-causing car drivers. It should not, however, be seen as a quick "green" fix. The broad thrust of such policies must be followed for many years if we are to regain true flexibility in our transport systems and overcome the transport strait-jacket created in the 1980s.

Keith Phair,
Thatched Farm,
Woodbridge Road,
Waldringfield, Suffolk

From Mr J. Schimmelpfennig.

Sir, One has to be careful before dismissing subsidies as a whole as causing inefficiencies. Mr Sawers is right when he says that "subsidisation of one mode of transport is an inefficient way of reducing traffic on another." This is known as second best pricing and is, of course, inferior to first best – that is efficient pricing which is to implement the price-equal-marginal cost-rule in all sectors – even though it is superior to subsidising just one sector as with private transport at present.

However, the essential term is marginal and Mr Sawers is misleading when he extends his definition of efficiency to a system "in which prices reflect the costs of providing transport" without differentiating between fixed costs and running costs. This is due to an important corollary of the price-equal-marginal cost-rule which students of microeconomic theory are being taught all over the world but which is totally neglected by the long list of Thatcherite Secretaries of Transport.

The economic life-form I refer to is the natural monopoly. It is characterised by falling average costs over the whole range of technically feasible or economically relevant output. Examples range from railways in general to the Channel Tunnel rail link in particular.

Then, in order to reach economic efficiency railways have to charge marginal cost. Since this necessarily implies losses (in the order of the debt service for fixed cost) they have to be subsidised. Whether or not railways could run on a commercially viable basis is of no interest whatsoever. (I take it for granted that society finds it worthwhile to have a railway. If not, a privately run system could not survive either.)

British transport policy is, unfortunately, rather different. Private transport runs below marginal cost *while public* transport has to charge above marginal cost due to the no-public-funds-mania resulting from the Government's failure to come to terms with common economic wisdom.

You do not have to be an environmentalist to call such a policy a disaster. It is a disaster in terms of simple economic efficiency as well.

Jörg Schimmelpfennig,
Department of Economics,
University of Osnabrück,
West Germany

FINANCIAL TIMES
Wednesday March 14 1990

INDEPENDENCE NEGOTIATIONS REJECTED

Lithuanian move is illegal, says Gorbachev

By Quentin Peel in Moscow

MR Mikhail Gorbachev, the Soviet leader, yesterday denounced the move by the Baltic republic of Lithuania to proclaim its independence as "illegal and invalid," and flatly rejected opening formal negotiations.

His blunt words were, however, dismissed by Mr Algirdas Brazauskas, the Lithuanian Communist Party leader, as "just for public consumption," and representatives of the breakaway nationalist movement insisted that the terms of their secession were already under debate.

Lithuanian members of the Soviet Congress of People's Deputies, summoned to create a new post of Executive President for Mr Gorbachev, declared that they were only attending as "observers," and refused to participate in any of the voting.

They also announced that any Soviet claims for compensation for Soviet investment in the republic would be matched and exceeded by a massive Lithuanian compensation claim – including claims for all the people deported and executed during the dictatorship of Joseph Stalin.

From the Soviet side, Mr Gorbachev announced that Mr Nikolai Ryzhkov, the Prime Minister, was heading a special commission set up to consider the implications of the Lithuanian move – while still rejecting the notion of talks.

"These are not negotiations. You only have negotiations with foreign countries," he told the Congress, to a round of applause. "We will talk with the comrades from Lithuania – are they still comrades? I think so – within the Supreme Soviet."

While there is no doubting the determination of the Lithuanians to break away from the Soviet Union, Mr Gorbachev and his colleagues seem to be bent on ignoring it and hoping it will go away.

The Soviet leader also had to take a tough line to keep his own Russian nationalists and Communist Party conservatives in line, in the immediate run-up to a critic constitutional vote.

Even so, the lack of serious attention to the whole question, both in the Congress and the official Soviet press, aroused the anger of conservatives in the Soyuz (Union) group of deputies, who demanded an emergency debate and immediate action to approve a highly restrictive law on secession.

The Soviet leader's harsh words about Lithuania's independence move also succeeded in alienating fellow Baltic nationalists from Estonia and Latvia, who proceeded to abstain in the key vote on the presidency.

The Estonian deputies then demanded that their plans to leave the Soviet Union should also be considered by the Ryzhkov commission, and withdrew their member of the Congress presidium – leaving two empty seats at opposite ends of the platform.

Soviet insistence that any secession should include compensation was met with delight by the Lithuanian side yesterday.

Mr Algis Cekuolis, a member of the governing body of Sajudis, the Lithuanian independence movement, said that Soviet claims totalling $34bn would be matched by counter claims for at least $300bn for Lithuanian contributions to the Soviet economy since 1945.

US defence savings may aid Nicaragua

By Peter Riddell in Washington and Tim Coone in Managua

THE US is seeking to use savings from the defence budget to finance an $800m programme of economic and political assistance for Nicaragua and Panama this year.

This is the first use of the so-called "peace dividend" of cuts in defence spending to support the new democracies. There are already calls from Congress to use the Latin American precedent for increased assistance to Eastern Europe.

President George Bush yesterday sought $300m of aid for Nicaragua in the current fiscal year, with $200m next year. This follows the defeat of the Sandinistas at the elections at the end of last month. He also lifted the five-year trade embargo against the country.

In late January Mr Bush reqeusted $500m of aid for Panama this year.

Yesterday Mr Bush, speaking at a White House press conference, appealed to Congress to build on last year's bipartisan political agreement on Central America by granting approval by April 5.

He said Mr Dick Cheney, the Defence Secretary, and Mr Richard Darman, the budget director, would begin immediate negotiations with Congress "on mutually acceptable offsets from the defence budget that can be used for this democracy fund without having an unacceptable impact on national security."

Agreement on offsetting cuts is being sought by March 27. If this is not possible, Mr Bush will, "because of the dire need for these funds, ask for a waiver of the budget act to allow this critical programme to proceed on the required timetable."

President Bush's announcement follows appeals by both Mrs Violeta Chamorro, who will head the Nicaraguan Government, and the outgoing President Daniel Ortega, for aid. Many voters cited Nicaragua's economic crisis as their reason for backing Mrs Chamorro.

President Bush is proposing not only the immediate lifting of the trade embargo but also the resumption of sugar shipments to the US, while ensuring that Nicaragua is eligible for duty-free treatment for a wide variety of other products.

Of the aid, some $60m is earmarked for agricultural, petroleum and medical supplies and a further $60m for repairing bridges, roads, schools and hospitals. Another $45m will go to help the repatriation and resettlement of Contra forces and other refugees.

About $50m will help Nicaragua pay off debt to the International Monetary Fund and other international financial institutions. An additional $75m will be in stabilisation funds to assist economic restructuring and balance of payments adjustment.

The next stage in ensuring a secure transfer of power to Mrs Chamorro is the demobilisation of the Contras.

US Contra call; Sandinista background, Page 7

UK angered by Irish extradition ruling

By Kieran Cooke in Dublin, Ralph Atkins in London and Our Belfast Correspondent

ANGLO-IRISH relations seem set to enter another turbulent period following an Irish judicial decision yesterday to uphold appeals against extradition by two men wanted by police in Northern Ireland.

Mr Dermot Finucane and Mr James Pius Clarke were among 39 prisoners who took part in a mass IRA breakout from the high security Maze prison near Belfast in 1983. Both had been serving lengthy sentences for terrorist-related offences.

The Supreme Court in Dublin ruled that both men would run the "probable risk" of being assaulted and injured if returned to the Maze prison. The court said the appellants' constitutional rights had to be protected and it was up to the courts to prohibit their extradition.

Dermot Finucane leaves court in Dublin surrounded by supporters

There was angry reaction to the decision in Downing Street, where it was seen as unlikely to do anything other than encourage terrorism. Any suggestion that anyone extradited to Northern Ireland would be maltreated was rejected as "grossly offensive" and "unjustified."

Mr John Cope, Minister of Security in Northern Ireland, described the judgment as "difficult to understand" and "an insult to the prison regime in the North."

The decision will focus attention on what has been seen both in London and Belfast as Ireland's failure to stand by clauses in the 1985 Anglo-Irish Agreement relating to the extradition of convicted or suspected terrorists. While the London Government yesterday reiterated its commitment to the agreement, the controversy provided further ammunition for its opponents. Northern Ireland's Unionists, in particular, are deeply suspicious of the Irish Republic's constitutional claim to the whole island.

The decision could sour the atmosphere at talks expected to take place within the next week between Mr Peter Brooke, Northern Ireland secretary, and Unionist leaders, on possible progress towards alternative forms of government in the province.

Mr James Molyneaux, leader of the Official Unionists, said it was "a gross slander" for Dublin judges to suggest that the men would be assaulted if returned to Northern Ireland.

Mr Ken Maginnis, the Unionists' security spokesman, said the judgment was a fatal blow to the Anglo-Irish Agreement. "It is probably dead on its feet," he said.

The decision raised widespread unease among Conservative backbenchers. Mr Ivor Stanbrook, vice-chairman of the Tory backbench committee on Northern Ireland, said the ruling undermined the Anglo-Irish accord.

"It means there can be no co-operation between the two countries in any matters which involve reciprocal action and co-operation and that means the whole basis of the Anglo-Irish Agreement is called into question."

At the time of his escape, Mr Finucane, 30, from Belfast, had been serving an 18-year sentence for possesion of an M16 rifle and ammunition. He was arrested by Irish police in late 1987 and since had been held in the high security prison at Portlaoise, south of Dublin, pending appeals on his extradition to Northern Ireland.

Mr Clarke, 34, from County Donegal in the Irish Republic, had been serving an 18-year sentence for the attempted murder of a soldier in the Ulster Defence Regiment. He had been arrested by Irish police in 1984. Appeals by both men against their extradition had been rejected by the Irish High Court last year.

Background to the controversy, Page 10

EC 'should avoid binding economic rules'

By David Buchan in Brussels

EUROPEAN Community states should aim for a total monetary union with a single currency but without any binding, centrally imposed rules on their economic and fiscal policies, according to a paper discussed in the European Commission last night.

The discussion paper, to be put before EC finance ministers meeting in Ireland on March 31, marks another milestone on the long road to the start of treaty negotiations on economic and monetary union (EMU) in December.

It also contains some significant departures from the Delors committee report published last April.

Yesterday's debate was the first time the full Commission had taken a view on EMU. It allowed its president, Mr Jacques Delors, to jettison at least one provision imposed on him by the most powerful members of his committee, notably Mr Karl Otto Pöhl.

The Bundesbank president had insisted that only binding limits on budget deficits could provide the discipline to keep the Twelve in a monetary union. But yesterday's paper called this "difficult politically and technically," and only urged co-ordination of medium-term adjustment strategies.

The Commission also comes out strongly for a single currency – the Ecu composite currency. The Delors report had said there was no material difference between a common money and irrevocably locked exchange rates. Brussels is now backing the single currency as the best proof that EMU would be irreversible and assurance that all transaction costs would eliminated.

The Commission also sweeps aside the alternative British government proposal that freely competing national currencies would give Europe's citizens the benefits of monetary union and eventually force convergence towards the soundest national monetary policy, probably that operated by West Germany.

It argues that this evolutionary approach could in fact "burst apart" a monetary system, partly on the technical ground that as currencies become more substitutable, so movements between them become less predictable and more volatile.

● At a meeting of EC industry ministers, Mr Roger Fauroux of France said, with support from southern countries, that the Community should not complete its harmonisation for cars – with three final directives on tyres, windscreens, and car weights – until it had settled the troubled issue of future car imports from Japan.

The lack of a completely common EC car standard gives countries such as France a technical excuse to control imports at their borders, regardless of EC policies.

Commission President Delors

WORLD WEATHER

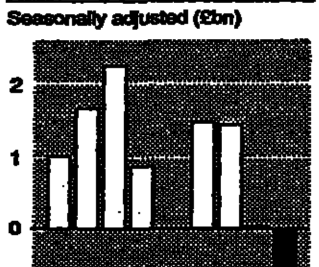
		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	16	61	Dubrovnik	S	17	63	Malta	S	17	63	Rhodes	S	14	57
Algiers	C	21	70	Edinburgh	F	10	50	Manchester	F	10	50	Rio de J'o	-	-	-
Amsterdam	S	11	52	Faro	F	19	66	Manila	F	33	91	Rome	C	14	57
Athens	S	17	63	Florence	F	14	57	Melbourne		-	-	Salzburg	F	13	55
Bahrain	S	25	77	Frankfurt	S	14	57	Mexico City	C	27	80	San Francisco	F	6	43
Bangkok	F	34	93	Funchal	F	17	63	Miami	S	20	68	Seoul	F	10	50
Barcelona	C	16	61	Geneva	C	14	57	Milan	S	12	54	Singapore	S	32	90
Beirut		-	-	Gibraltar	C	17	63	Montreal	F	2	36	Stockholm	F	4	39
Belfast	F	9	48	Glasgow	C	10	50	Moscow	Sn	0	32	Strasbourg	C	16	61
Belgrade	S	24	75	Guernsey	S	12	54	Munich	S	15	59	Sydney		-	-
Berlin	C	11	52	Helsinki	C	-1	30	Nairobi	F	26	79	Taipei	F	25	77
Biarritz	S	16	61	H. Kong	S	22	72	Naples	S	18	64	Tangier	C	12	54
Bombay	F	28	82	Innsbruck	F	13	55	Nassau	F	27	80	Tel Aviv	S	15	59
Bordeaux	S	18	64	Inverness	C	9	48	New Delhi	S	24	75	Tenerife	S	20	68
Brussels	S	11	52	Islamabad	F	26	79	New York	C	7	45	Tokyo	S	15	59
Budapest	F	20	68	Istanbul	S	10	50	Nice	C	15	59	Toronto	R	3	37
B Aires	C	28	82	Jakarta	C	31	88	Nicosia	F	17	63	Tunis	S	23	73
Cairo	F	16	61	Jersey	C	13	55	Oporto	S	18	64	Valencia	S	19	66
Cape Town	S	26	79	Jo'burg	C	20	68	Oslo	S	8	46	Venice	Fg	8	46
Caracas	C	28	82	Lima	F	25	77	Paris	C	11	52	Vienna	F	18	64
Casablanca	C	19	66	Lisbon	F	18	64	Peking	S	13	55	Warsaw	F	11	52
Chicago	S	16	61	London	S	13	55	Prague	S	13	55	Washington	S	11	52
Cologne	F	12	54	Los Angeles	S	8	46	Reykjavik	C	-1	30	Zurich	S	16	61
Copenhagen	C	8	46	Luxembourg	S	12	54								
Corfu	S	17	63	Madrid	S	15	59								
Dallas	C	21	70	Majorca	F	17	63								
Dublin	C	9	48	Malaga	S	21	70								

Readings at mid-day yesterday

C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

UK invisible trade balance

Seasonally adjusted (£bn)



UK suffers deficit on invisibles in last quarter

By Peter Norman, Economics Correspondent, in London

BRITAIN'S traditional surplus on invisible trade turned into a seasonally adjusted deficit of £713m ($1.14bn) for the final quarter of last year, the first deficit since the UK Government began issuing quarterly figures in 1955.

The deficit cuts the invisible surplus to £2.26bn for the year from £5.8bn in 1988.

A third quarter surplus was revised down to £51m from a previously reported £204m.

With the Budget less than a week away, the news represented another setback for Mr John Major, the Chancellor, following Monday's announcement of sharply higher retail sales in February and sterling's recent weakness.

The invisibles balance, reflecting earnings of service industries such as banking, insurance and tourism, payments of interest, profits and dividends, and transfers such as those between the Government and the European Community, has long acted as an offset to Britain's merchandise trade deficit.

The transfer deficit rose by around £200m to £1.67bn because of increased contributions to the EC budget.

Last year's current account deficit, which includes merchandise and invisible trade, is now put at £20.85bn against earlier estimates of £20.43bn.

As recently as last November, the Government forecast a £4bn invisible trade surplus for last year.

The fourth quarter deficit reflected several exceptional factors. Insurance earnings fell because of claims after the San Francisco earthquake, Hurricane Hugo and payments to owners of the Piper Alpha oil platform lost in the North Sea.

The surplus on interest, profits and dividends fell to £190m in the latest quarter from £492m in the third quarter and quarterly surpluses of more than £1bn in the first half. The Central Statistical Office said this part of the invisible account fell partly because of a reassessment of the statistics covering overseas transactions in UK company bonds.

The UK Treasury said the figures were subject to revision. Officials pointed out that they included a positive "balancing item" of £10.1bn to cover unidentified payments in the final quarter of 1989.

This accounting device is needed to make the deficit of £4.3bn on the non-seasonally adjusted current account and a £5.8bn capital account deficit sum to zero and will be allocated to either the current or capital accounts as new data come to light.

The British Invisibles Export Council largely attributed last year's reduced surplus to an increase in the Government deficit on invisibles for payments to the EC budget.

Yesterday's figures none the less suggest that Britain's service industries are finding it harder to compete abroad. The private sector invisibles surplus fell last year by 20 per cent to £9.6bn.

THE LEX COLUMN

GrandMet mixes a new cocktail

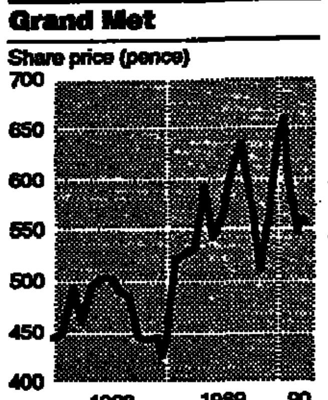
The financial minutiae of Grand Metropolitan's chosen means of exit from the UK brewing industry are so complex that it is easy to lose sight of the business issues. Near-term, the sale of its breweries and beer brands to Elders/Courage, and the merger of their tenanted pubs, look like nothing but upside for GrandMet. But if the details are to amount long-term to more than just financial engineering, carefully tailored in the hope of heading off OFT objections, then GrandMet's ideas must represent the shape of things to come for the whole industry. That is where the issues get tricky.

The likely fall in GrandMet's net gearing to 65 per cent seems rather irrelevant, in view of the £2.65bn of intangible assets in its shareholders funds. But the cash flow benefits are substantial, and the expected increase in Grand Met's interest cover from 3.6 times in 1989, to more than double that next year, probably deserved a better response than the 2p rise in GrandMet's shares yesterday. The chief financial niggle is the confusion likely to be caused by the £110m balance-sheet provision GrandMet is making against loss of revenue, arising from its exclusive supply contract with Courage.

But the heart of the matter is GrandMet's radical blueprint for the 5,000-plus pubs in its joint venture with Courage. GrandMet wants publicans to take 20-year leases on the pubs, and pay higher rents with five-year reviews, turning the licensed trade into a straightforward commercial property investment. If this works, GrandMet's Mr Sheppard will have earned his place in history, and yesterday's deal will look very clever; but it is not a question answerable overnight.

Grand Met

Share price (pence)



UK invisibles

The curious case of the vanishing invisibles will no doubt be haunting Mr Major as he prepares his Budget speech. Time was when an invisibles surplus was one of the most reliable cornerstones of UK economic arithmetic. But old certainties are disappearing fast. Whatever the talk of individual factors such as EC payments and Hurricane Hugo, the underlying position has been deteriorating for some time. The £200m monthly deficit on invisibles in the fourth quarter makes Treasury forecasts of a £6bn surplus in 1990 look very doubtful and that in turn reduces the chances that Mr Major will cut, from £15bn, his forecast for this year's current account deficit.

One problem is that UK funds cannot hope to earn overseas the sorts of returns that foreign investors can achieve in the British money markets. Not that that is stopping the institutions from investing abroad – portfolio investment overseas almost quadrupled, to £38bn, between 1988 and 1989. Now we know what happened to the wall of money; it was exported.

BOC

Yesterday's 3 per cent hike in BOC's share price, in response to a vaguely phrased announcement about seeking a US share listing for its health care divisions, is all of a piece with the stock market's over-enthusiastic reaction for ICI's stock-buyback plans. All a company need do to get its shares moving these days is to nod vaguely in the direction of demerger, or share repurchase.

The market seems to have been impressed by the contrast between BOC's multiple, standing at 10 times expected 1990 earnings, with the rating a separate health care company would command, and the lift that would give to BOC's value. A suitable US example is Abbott Laboratories, on a p/e of about 15.

The snag is, first, that BOC would have to keep at least 80 per cent of the health care business if it wanted to retain the benefits of filing a consolidated US tax return. Second, the reason for getting a listing would be to facilitate more US health care acquisitions, in which BOC's recent track record is fairly slender.

Glynwed

A 5 per cent fall in second half profits and the demise of the long time annual 20 per cent earnings per share growth target were an unlikely background to yesterday's 15p rise in Glynwed's share price. But the figures had been signalled well in advance and the 20 per cent dividend increase was an encouraging sign. It follows a series of healthy dividend increases and good results from British engineering companies. Simon Engineering duly followed the trend yesterday; its rights issue was merely the sensible exploitation of its re-rating on environmental grounds.

What made Glynwed's figures especially interesting was the light they shed on the state of the British economy, and on British industry's response. The government will certainly be hoping that other companies can emulate Glynwed's achievement in increasing exports 80 per cent last year, as a counter to slackening UK demand. But the Chancellor might not be so pleased at Glynwed's indications that some of its consumer and building related businesses are already starting to recover from the downturn.

George Wimpey

It is nice to know that George Wimpey has never had a rights issue and, because its biggest shareholder is a charity, is unlikely to have one. Otherwise, its 1989 results would have begun to sound some alarm bells. Net capital spending has more than doubled to £150m, at a time when cash flow is shrinking and net debt has risen by around two thirds to £382m. Gearing has jumped to 52 per cent, the highest level in more than five years, and interest cover has been nearly halved to 4.5 times. At the same time it has been rapidly running down the size of its UK land bank.

Now would not seem the best time to embark on a more aggressive use of the corporate balance sheet – witness the more than doubling in second half net interest charges to £23.4m. Howerver, Wimpey's return on capital has been transformed over the last few years and as long as it does not slip much below 20 per cent over the long run, then the management team deserves the benefit of the doubt. With luck, the current slump in UK housebuilding will have evaporated within 18 months and the 14 per cent rise in dividend underlines a commitment to real dividend growth even in bad times.

FINANCIAL TIMES
COMPANIES & MARKETS
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INSIDE

Double blow dealt at Hongkong Bank

A double disappointment was delivered yesterday by Hongkong and Shanghai Banking Corporation. *It announced profits after tax and* transfers to inner reserves up by an unexpectedly modest 11 per cent — blamed in part on its exposure to Australia's ailing Bond Corporation; and the board backed off from previous hints that it might soon disclose the full size of its reserves. In Britain, one bright spot was a *return to the black by James Capel*, Hongkong Bank's broking firm, after two years of heavy losses. **Page 22**

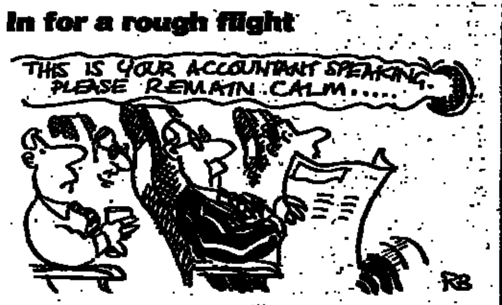
Chemists seek a green formula

The chemicals industry has a green achilles heel. As environmental issues attract more adherents, it is coming under greater pressure to clean up its act. Hermann Strenger (left) chairman of Bayer, is optimistic, however, that open dialogue will break down fears. The group holds public talks — complete with entertainers — and environmental improvement plans are set to be completed in five years instead of the scheduled eight. Peter Marsh reports. **Page 20**

Brazilians in slow motion

Brazil's normally frantic financial markets have sunk into suspended animation. Fernando Collor de Mello, who tomorrow assumes the presidency of the country's new Government, has promised vigorous action to curb hyperinflation. This has put investors on the defensive — while waiting for Mr Collor's first moves, they can only hold their breath. **Page 40**

In for a rough flight



Canada's two leading airlines have switched on their Fasten Seatbelts signs for what may be a fairly long and uncomfortable period of turbulence. A taste of what lies ahead came with the recent release of 1989 earnings from Air Canada and PWA Corporation, holding company of Canadian Airlines International. Losses at both airlines resulted in the ground*ing or sale of substantial parts of their fleets.* Bernard Simon reports. **Page 21**

Playing for keeps

The stakes are high and the players fierce. The Group of Thirty, an informal international group of bankers and heads of securities houses, meets today in London to discuss progress made on improving international clearing and settlement procedures. The winners stand to increase their share of the lucrative cross-border trade in securities. Andrew Freeman reports. **Page 23**

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Beiersdorf	835	+	25
Hochtief	1393	+	73
Horten	317	+	10
Nixdorf	284	+	23
Porsche	1059	+	49
Rosenthal	355	+	10
NEW YORK ($)			
Rises			
Pathe Comm	6	+	⅝
Tandem Comp	28⅛	+	⅛
XTRA	30	+	¼
Falls			
Digital Equip	77¾	−	⅜
Eli Lilley	62⅛	−	⅞
IBM	106⅞	−	⅞
PARIS (FFr)			
Rises			
Casino	153.5	+	8
CFAO	627	+	27.1
Bafinage	214	+	8.3
Falls			
BLP	910	−	45.5
G. Victoire	808	−	44.7
Scrapp	1100	−	47.9
TOKYO (Yen)			
Rises			
Kajima Iron	1280	+	100
Nippon Gear	1350	+	190
Falls			
Miyazaki Bank	1680	−	180
Nitchitsu	2400	−	240
Taito	1410	−	130
Tokyo Snt Mtl	1110	−	130

New York prices as at 12.30pm.

LONDON (Pence)			
Rises			
Aquascutum "A"	131	+	11
BTR	422	+	7
Cable & Wire	529	+	10
Candover Inv	228	+	20
Enterprise Oil	621	+	10
ICI	1101	+	19
LASMO	611	+	15
Midland	333	+	6
Pilkington	210	+	3
Pressac	86	+	10
Saatchi	143	+	3
Smithkline Beech	530	+	10
Thorn EMI	694	+	12
Unilever	658	+	6
Wellcome	661	+	6
Wessex Water	170	+	5
Falls			
Bass	911	−	8
Burton	164	−	5
Calor	309	−	8
GEC	202½	−	5½
Logica	272	−	42
Simon Eng	341	−	14
Stand Charter	549	−	14

GrandMet and Elders unveil swap details

By John Thornhill and Clay Harris in London

GRAND METROPOLITAN and Elders IXL, the Australian owner of the UK Courage breweries, yesterday unveiled the long-awaited details of a complex exchange of assets and the creation of a joint venture to manage their combined tenanted pub interests.

The transaction will establish Courage as the second largest brewer in the UK after Bass and will propel its parent company into fourth position in the list of world brewing groups behind Anheuser-Busch, Miller and Heineken.

It will also create the biggest chain of public houses in the UK as GrandMet will inject 3,570 of its pubs into a joint venture with 4,940 pubs currently tied to Courage. This company, Inntrepreneur Estates, will sell about 1,500 pubs and will release an additional 2,000 from the tie before November 1992 because of new rules governing the UK brewing industry.

The general elements of the deal were revealed last week when Elders announced it was restructuring its global brewing interests into Foster's Brewing Group.

But what emerged yesterday was the length to which the two sides went to present the deal as meeting the spirit as well as the letter of the Government's recent blueprint to reshape the brewing industry.

Disposals will ensure that Inntrepreneur Estates does not tie more than 25 per cent of pubs in any licensing district (about 100,000 population), even though a higher limit is allowed.

Courage also held out the possibility that a new regional brewer could be created. It plans to offer for sale, as a unit, GrandMet's brewery at Trowbridge, Wiltshire, and 450 Courage pubs. Mr Michael Foster, Courage's managing director, said: "This could be the rise of the house of Usher," the original owner of the brewery.

The deal has three main elements:

- Courage is to pay £366m ($589m) for GrandMet's brewing interests, which include four breweries and the Watneys, Truman, Ruddles and Webster's brands. After disposals, this will give Courage an 18 per cent share of the UK beer market. The UK's *largest brewer, Bass, has* 23 per cent. GrandMet will, however, retain property with a net book value of £65m. Courage will also supply beer to GrandMet's licensed retail outlets.
- The tenanted pubs of both groups will be merged to form Inntrepreneur Estates. This joint venture will initially own about 8,500 pubs with an estimated value of £2.8bn. The venture is to be jointly owned and will be managed by four directors from each side.
- 320 pubs managed by Courage will be leased from Inntrepreneur Estates by GrandMet. They will be run as part of GrandMet's own estate which will expand to 1,700 pubs.

The transaction is expected to *increase GrandMet's* pre-tax profits and earnings per share only marginally in the first full year although it will result in an increasingly positive contribution thereafter.

GrandMet's profits from its brewing interests will be reduced although the contribution from its managed houses will increase. GrandMet will also bolster net assets by £180m and will receive a net cash inflow of about £800m, reducing net borrowings from £3.03bn to £2.25bn and gearing from 90 per cent to about 64 per cent.

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Time for takeovers, gentlemen please

Clay Harris looks at the growing concentration of power within Britain's brewing industry

The complex breweries-for-pubs swap unveiled yesterday by Grand Metropolitan and Elders IXL, Australian parent company of Courage, will change the face of UK brewing.

But the industry may not *evolve in the way envisaged by* the policy-makers who decided last year to adapt the UK's unusual system of public houses "tied" to their brewery owners.

The deal is likely to be the first step in a restructuring which concentrates capacity in fewer hands. It sets the pattern for the creation of large chains of public houses, closely linked to brewers by long-term supply agreements.

GrandMet and Courage have agreed that the 5,250 tied pubs in Inntrepreneur Estates, their joint venture, will feature Courage-supplied beers for at least 10 years. A similar arrangement will apply to the 1,700 managed pubs owned by GrandMet or leased to it by Inntrepreneur.

Picture: Trevor Humphries

Changes a'brewing: Allen Sheppard of GrandMet (left) and Michael Foster of Courage seal the deal

Mr David Nash, GrandMet's finance director, said breweries would attract no buyers without such supply contracts."

Mr John Wakely of stockbroker Shearson Lehman Hutton said: "If this deal goes through, as I think it will, it will be a landmark *decision*. It certainly opens the door to other brewers to come to similar arrangements."

On a wider European scale, the deal gives Courage a solid UK base from which to attack the continental market and throws down the gauntlet to domestic and foreign rivals. "The others have got to feel under pressure that if they don't do something, the market will develop into a duopoly [between Bass and Courage]" Mr Wakely said.

The UK market is up for grabs for two reasons:

- Unlike most other Western countries, with the exception of West Germany, the British beer market is still relatively fragmented. Bass has 23 per cent; yesterday's deal would give Courage 21 per cent, reducing to 18 per cent through disposals.

By contrast, Anheuser-Busch claims 42 per cent of the US market. Heineken in the Netherlands, Carlsberg in Denmark, Kronenbourg in France, and Molson in Canada all have more than 50 per cent of their local markets.

British breweries are also much *smaller* than their most modern US and continental counterparts. Mr Michael Foster, Courage's managing director, noted yesterday that Heineken could supply half of Britain's thirst for lager from one Dutch *brewery*. "We need a *lot more* scale and a lot more clout to compete with that kind of force."

- Unusually, UK brewers have traditionally owned a majority of the country's pubs. In 1989, a Monopolies and Mergers Commission report urged that each be limited to 2,000 pubs. This was amended to allow them to retain half the excess over 2,000.

None the less, many UK brewers are now considering whether to become "pure" brewers, to concentrate on retailing without limit, or to try to continue to do both. An initial review suggests that more, like GrandMet, are *leaning towards* owning and operating pubs, because of the scope for higher margins.

Bass starts from the strongest position. It owns about 7,000 pubs, equal to the number which Inntrepreneur expects to have *after disposals*. Bass will be allowed to "tie" 4,500 pubs.

Bass's main advantage is that it owns Carling Black Label and Tennent's, the two best-selling lager brands in the UK. It bought the UK and European rights to Carling for a mere £8m only four years ago. With lager the biggest growth market, and the only taste UK drinkers share with the rest of the world, this puts Bass in a commanding position.

Allied-Lyons, by contrast, has offered £55m to £60m to buy Mr Alan Bond's Castlemaine XXXX and Swan lager brands, which it brews under licence in the UK. If *that is not successful, Allied may* be amenable to an offer for its breweries by Carlsberg, which is looking for additional UK capacity and would also be interested in Allied's Tetley bitter brand.

In the case of Whitbread, the *potential overseas suitor is Heineken*. Whitbread's situation is complicated by its constellation of strategic minority stakes in regional brewers such as Morland, Devenish and Boddington. Whitbread will have to reduce its stake in each to less than 15 per cent to avoid have their pubs count against its total.

If anyone else does a pubs-for-*breweries swap, Allied and Whit*bread are the best bet, with Allied being the more likely candidate to take on brewing.

Scottish & Newcastle Breweries escaped takeover by Courage in 1989, when the Government blocked a bid even though the combined market share was less than that now envisaged in the GrandMet deal. S&N is "too dependent on beer to get out," says Mr Geoff Collier of County NatWest Wood Mackenzie.

The only pubs Guinness owns are those it acquired in South Wales with Buckley's Brewery. Guinness never needed the tie to sell its stout and is least affected by the imminent changes.

Regional brewers do not have enough pubs to be forced to sell. But they are still likely to be squeezed by the increasing competition. Some may follow Boddington, which kept its pubs but sold its brand and brewery assets to Whitbread. Others with less valuable brands may just shut their breweries.

Britain still has too much brewing capacity: 50m barrels compared with sales of 36m barrels, of which imports account for 3m. There is every reason for Courage, and perhaps Bass and *S&N, to look to the continent for* new markets.

The most attractive candidate there is Kronenbourg, which dominates France and has strategic stakes in leading brewers in Italy, Spain and Portugal. For it *even to be put up for sale*, however, BSN, the French parent, would have to decide it wanted to focus its expansion on food.

Investors swayed by salesman Saatchi

By Alice Rawsthorn in London

MR MAURICE Saatchi did not begin his business life as a salesman for nothing.

The man who started his career selling advertising space deployed his old skill with consummate ease yesterday when, as chairman of Saatchi & Saatchi, the embattled communications group, he addressed its annual general meeting.

When the shareholders arrived, their talk was of plunging profits and Saatchi's plummeting share price. When they left, they were full of praise for Mr Saatchi and his virtuoso performance.

The curtain went up with Mr Saatchi disarming his critics by accepting the blame for the group's problems. The last year, *he said*, had been "bitterly disappointing" for everyone.

He and his brother, Charles, were cutting their pay by 30 per cent, by £187,500 to £437,500 ($704,375m). The other directors were slicing their salaries by 10 *per cent. Mr Robert Louis-Drey*fus, the new chief executive, will earn £450,000, rather than £500,000.

It was left to Mr Louis-Dreyfus to tell investors the good news – that Saatchi's management consultancies are, at long last, about to be sold. He also told them the bad news – that the sales would raise less than £100m and that Saatchi had not yet decided whether it could maintain its dividend.

Mr Saatchi needed all his skill at question-time. One shareholder wanted to know why Mr Charles Saatchi was not at the meeting.

The chairman replied that his brother – who once pretended to be a cleaner rather than talk to a client of one of Saatchi's advertising agencies – was "an intensely private person" who had never attended an annual meeting.

Just as Mr Saatchi seemed to be flagging, help arrived from an unlikely source. As self-appointed president of the Association for the Defence of Saatchi Shareholders, Mr Joseph Marciano, moustachioed like a melodrama villain, had come to the meeting intent on trouble.

Shareholders shuffled out and one snored audibly during his long-winded speech which ended in roars of derision for Mr Marciano and rousing applause for the chairman's ripostes.

At the end of the meeting, when *investors voted on* whether to re-elect Mr Saatchi, only one hand, that of Mr Marciano, rose in protest.

Standard Chartered makes $80m provision against loan in US

By David Lascelles, Banking Editor, in London

STANDARD Chartered, the London-based international banking group, announced yesterday that it has been forced to make a $80m provision against a loan to a troubled US company.

The company is MiniScribe, a *Colorado manufacturer of disk* drives, which sought protection from its creditors with a Chapter 11 filing in January.

Standard Chartered made a $110m loan to the company through its Hong Kong branch. *But the bank said yesterday that* it was the senior secured creditor with charges over substantially all MiniScribe's assets. This will give it first charge on the proceeds of the sale which is likely to follow the Chapter 11 filing.

However, negotiations with potential purchasers have not come to the early conclusion which Standard hoped for. "The situation is fluid and there is significant uncertainty as to what the eventual proceeds of the sale may be," the bank said in a statement yesterday.

MiniScribe resorted to the bankruptcy laws after losing $116m in the first nine months of 1989, and more than a dozen lawsuits have been filed by shareholders and debenture holders. The company has alleged fraud *by senior managers*, including charges that faulty disk drives and bricks were shipped to achieve sales targets.

The loss is the latest in a string of setbacks for Standard Chartered. In January, Mr Rodney Galpin, the chairman, warned shareholders that 1989 profits would be down because of several factors: the impact of high interest rates on UK customers, problems in the Australian corporate market and the suspension of interest payments from Brazil. Standard will also have to make *substantial provisions against its* Third World debt portfolio.

The bank is to announce its 1990 results next Tuesday. Mr Peter Toeman, banking analyst at UBS Phillips & Drew, forecasts an underlying profit of £230m ($370m) before tax compared to £313m in 1988. This will be boosted by a £244m profit from the disposal of buildings, including its London headquarters, and offset by Third World provisions and regrouping costs of £222m, leaving a bottom line of £252m.

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BOC may float healthcare unit

By Nikki Tait in London

BOC, the UK-based industrial gases group, yesterday indicated that it may seek a separate stock-market quotation for its health-care *division in about a year's* time.

The healthcare operations, which range from anaesthetics to intravascular devices, accounted for about one-quarter of BOC's total business last year, providing annual sales of £668m ($1bn) and operating profits of £106.5m. Analysts estimate that the division could attract a stockmarket price-tag of more than £1bn.

BOC's announcement follows financial restructuring initiatives from several British companies, designed to improve the stock-market's view of their underlying worth and boost share values. Demerger plans have been announced or implemented at the *likes of BAT Industries*, Courtaulds and Williams Holdings, while Hanson last summer floated a majority stake in its Smith Corona subsidiary in the US.

Yesterday, however, BOC *played down suggestions that it* intends to give up control of the healthcare interests. Mr Richard Giordano, the group's chief executive, stressed that this would not be demerger and that, at least initially, BOC would retain a majority stake in the healthcare business.

The company added that it had an open mind about how a quotation – probably in the US – might be achieved. Possibilities could include an initial public offering of 15-20 per cent of the stock or the injection of the BOC division into an existing listed healthcare business.

One major reason for making the move, said Mr Giordano, "was a recognition of nature of the healthcare market." Given that many businesses were small and headed by founding entrepreneurs, he argued that BOC had been disadvantaged when seeking acquisitions. It could only *offer shares in BOC, for example*, where the rating tends to reflect the dominant gases business.

However, Mr Giordano also conceded that "adding clarity" to valuations of the group was another motive behind the possible *flotation* plan.

The BOC's first step is to create a separate management and legal entity for the healthcare operations which – despite a US weighting – span 20 countries. These steps will be taken over the next 12 months.

BOC shares rose 16p to 527p. Some analysts were slightly sceptical of the announcement's ultimate significance, however, given the uncertainty over when and how a flotation might take place.

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Alusuisse-Lonza to increase dividend as income soars 47%

By John Wicks in Zurich

ALUSUISSE-LONZA Holding, the Swiss aluminium and chemicals concern, boosted net profits by 47 per cent last year from SFr217m ($142.5m) to SFr466m following an 18.5 per cent rise in sales from SFr5.98bn to SFr7.08bn.

The group, which until the end of last year operated under the name of Swiss Aluminium, is to pay increased dividends for 1989 of SFr30 per bearer share, SFr15 per registered share and SFr3 per participation certificate. This 12 per cent payout compares with one of 6 per cent plus 2 per cent anniversary bonus for the previous year.

In Zurich yesterday Dr Hans K Jucker, chief executive, said the company expected good results for 1990 though below last year's "exceptional" level.

At the April 19 shareholders meeting, the board is also to propose an increase in share capital from SFr524.3m to a maximum of SFr613m to finance "future acquisitions and investments."

This transaction foresees a rights issue whereby holders of 15 existing registered shares will be entitled to buy one new registered share and holders of 15 existing bearer shares or 150 participation certificates one new bearer share.

Each new share will be equipped with a warrant, every two of which will entitle the holder to purchase a further share in the respective category.

Prices for the new shares and warrant conversions are to be announced on April 4.

The second part of the capital increase involves the issue of up to a nominal SFr28.9m exclusive of drawing rights.

According to Mr Pius Binkert, chairman, the company does not intend to open up its stock ledger to foreign holders of registered shares. Nor is Alusuisse-Lonza to follow the example of some other Swiss companies in scrapping its (non-voting) participation certificates.

A breakdown of 1989 turnover shows that aluminium sales improved by 17.5 per cent from SFr4.16bn to SFr4.9bn and those of the chemical division by 21 per cent from SFr1.8bn to SFr2.17bn. Sales of services dropped 6.3 per cent from SFr16m to SFr15m.

Paribas seeks partner for troubled trading company

By George Graham in Paris

PARIBAS, the French banking and investment group, is on the look-out for a new partner for Scoa, the troubled west African trading company of which it owns 29.5 per cent, following the failure of a planned co-operation with Lonrho, the British conglomerate.

Scoa has been one of Paribas' outstanding problems for around 10 years, with record losses of FFr320m ($55.36m) in the first half of 1989.

Last October Paribas reached an agreement with Lonrho, under which the British group, which is widely represented in Africa, would become a shareholder in Scoa through a FFr730m rights issue, coupled with a FFr270m convertible bond issue, underwritten by the two groups.

To general surprise, the rights issue was fully taken up, while at the same time "major differences" emerged between the two partners over the commercial strategy to adopt for Scoa, with the result that Lonrho withdrew from the agreement.

Paribas officials note that two of Scoa's three main problems have been settled: its capital has been restored, and it has shed some of its less successful diversifications, such as the distribution of bicycles in the US and motor parts in France, and a fishing business on the Ivory Coast.

The third leg of the restructuring plan, however, remains incomplete: the search for a complementary international partner.

Stora's 6% gain falls short of forecasts

By John Burton
in Stockholm

STORA, Europe's biggest pulp and paper group, yesterday reported a 6 per cent increase in profits after financial items to SKr3.9bn ($632.1m) in 1989, but warned that earnings could fall in 1990.

Stora proposed a 20 per cent increase in dividends to SKr12 per share. Sales climbed by 6 per cent to SKr42bn.

Mr Bo Berggren, chief executive, confirmed reports that Stora was interested in acquiring the French newsprint producer Chapelle-Darblay. "We are the market leader in newsprint in Europe and it is a position we want to maintain," he said. Mr Francois Pinault, owner of Chapelle-Darblay, has reportedly been considering selling some or all of it.

Stora's profit for 1989 fell short of the company's forecast of SKr4bn made in its eight-month report.

Stora said a profit decline this year was possible due to lower economic growth and increased interest rates in its major markets. The expansion of production capacity among pulp and paper companies worldwide would also increase competition, resulting in lower profit margins.

Strong market demand boosted the profits of its forest product divisions last year by 21 per cent to SKr3.4bn. The improvement was primarily due to its pulp division Stora Cell, which had a 47 per cent rise in operating profits to SKr1.3bn, and its packaging paper and board operations at Billerud, which lifted profit by 29 per cent to SKr774m.

But a slight profit fall of 2 per cent to SKr902m for its newsprint division, Stora News, would appear to be the first sign of tougher times ahead and reflected overcapacity in the US market.

Operating profits at the flooring unit Tarkett, the biggest division in terms of sales at SKr6.18bn, fell by 20 per cent to SKr305m. Akerlund & Rausing, the packaging division, reported a loss of SKr112m, reflecting spending on the development and introduction of a plastic laminated can, Cekacan.

Chemicals industry prey to emotion

Peter Marsh finds Bayer eager to improve the sector's reputation

It is a clear, sunny day and the views from Mr Hermann Strenger's office 26 storeys above the outskirts of Cologne are superb. But the panorama of the Rhine snaking its way through the smoke-stacks and warehouses of industrial Germany holds out few comforts for Mr Strenger, chairman of Bayer, one of the big three West German chemicals groups.

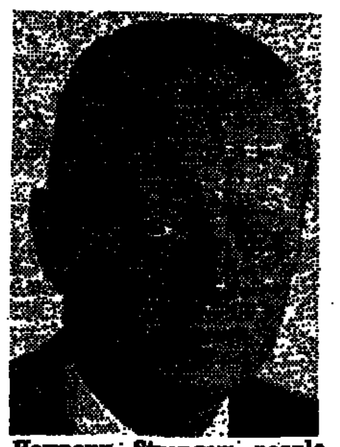
It is the relationship between the outside world and the vast industry which he represents which bothers the chemicals boss. He has a reputation of being one of the best communicators in the European chemicals sector and having a keen grasp of the social issues involved.

Bayer is one of the three West German companies which are the world's largest chemicals groups, the other two being BASF and Hoechst. The 61-year-old Mr Strenger has been in charge of Bayer for six years. He also recently took over as president of the VCI, the trade federation for the West German chemicals industry, the biggest in Europe.

In the past five years the chemicals industry has seen strong international growth. Many of the top companies in the field, despite signs of a slowdown in the sector during the past few months, are confident and flush with cash.

The products from the industry, which, with two million employees in western Europe, is one of the region's most important manufacturing sectors, permeate their way into virtually every business and consumer field.

The chemicals sector, however, has a weak spot in that it is one of the most environmentally obtrusive of all industries.



Hermann Strenger: people make emotional judgments

Its plants are known less for their products than for their ability to cause pollution.

The surge in interest in environmental issues – probably more marked in West Germany than anywhere else – has put the industry under increasing pressure.

It has also led, in West Germany in particular, to new, tough environmental laws setting out strict standards covering emissions of waste chemicals into the air and rivers. These are expensive to comply with and make life difficult even for a big, international company such as Bayer. Exaggerating only a little, some in the German chemicals business say the antagonism with which the industry is viewed in Germany puts its very survival at risk.

Mr Strenger says many of the problems faced by Bayer on pollution in its home country stem from the habit of Germans to fret about almost everything. In the US, a big market for Bayer, things are better, says Mr Strenger.

"Americans are more pragmatic about these issues. Here so many people make emotional judgments."

One of the difficulties, says the Bayer head, is the hidden, diffuse nature of chemicals production. Much of it involves mixing up liquids and gases with near-unpronounceable names inside closed pipes and pressure chambers. The average person, wandering around a chemicals factory, has no idea what is going on. "For most people, chemicals is a mystery," says Mr Strenger. "You can't touch the products with your hands."

Mr Strenger says that at Bayer the company is doing its utmost to explain itself and break down people's fear. The group runs meetings with citizens' organisations – these are called *Hallo Nachbar!* (Hello Neighbour!) evenings and come complete with entertainers to draw in the crowds – to discuss technical points concerning pollution.

The Bayer head has also promoted to senior positions a number of relatively youthful managers who are widely travelled and good at talking to outsiders.

"We have tried to convince people we are honest and reliable partners," says Mr Strenger. "In the last few years we have made some progress and I am reasonably optimistic."

Heightening environmental worries have led to special problems for the German chemicals industry in the field of genetic engineering. Such ideas for manipulating biological material at a cellular level promise technical breakthroughs in areas such as drugs and pesticides.

But in West Germany the developments have run into well-organised opposition from "green" citizens' groups. The pressure has led to a virtual legislative ban on new production processes which use biotechnology.

Mr Strenger is intensely worried about the objections to genetic engineering.

He foresees more biotech research being driven away from Germany to the US – where Bayer, together with Hoechst and BASF, is already establishing its own genetic-engineering laboratories.

On the question of contacts with "green" pressure groups, Mr Strenger says he wants to have a detailed dialogue. "Some of the groups want to talk and listen to facts. I'd put Greenpeace in this category. We are absolutely prepared to deal with them. But with some of the others [of the more radical pressure groups] it is difficult to enter a discussion."

As to the severity of the laws in West Germany pertaining to the environment, Mr Strenger says he cannot complain about a civilised society having a strong set of rules governing such a large and diffuse industry as chemicals. But he says the politicians in charge of the laws "are overdoing it."

Partly due to the tightening laws, Mr Strenger says that a DM3bn ($1.7bn) programme Bayer announced in 1987 to improve the environmental performance of its West German factories will probably be finished in five years rather than the envisaged eight. z He says he is not against the idea of new "green" taxes which would seek to penalise environmentally-damaging industrial activities.

First store in Spain for Marks and Spencer

MARKS AND SPENCER opened a five-storey store on Madrid's prestigious Calle de Serrano yesterday, the first of what will be 10 branches of the British retail chain in Spain, writes Tom Burns in Madrid.

The Madrid store, which represents a total investment of close to Pta1bn ($9m), is the result of a joint venture in which the Spanish clothing chain, Cortefiel, has a 33 per cent stake in Marks and Spencer Espana.

It is estimated that 30 per cent of the half a million Spaniards who visit the UK every year shop at Marks and Spencer. "We appeal to the middle market in Spain," said Mr Manuel Martinez, general manager of the Madrid store.

■ Instituto Nacional de Industria (INI), the Spanish public sector holding company, more than doubled its pre-tax profits last year to Pta82bn from Pta38bn in 1988, writes Tom Burns.

The advance reflected a marked improvement in INI's steel-producing interests, which showed a profit for the first time since the early 1970s and reduced losses in its capital goods and defence divisions.

However, Mr Jordi Mercader, chairman, warned that the group could face difficulties this year and that it was "racing against the clock" to be competitive before the creation of Europe's single market.

■ Ahold, the largest Dutch retailer, yesterday reported record 1989 net earnings of Fl 194.6m ($101m), an increase of nearly 34 per cent over the previous year, helped by strong performances on the home and US markets, writes David Brown *in Amsterdam.*

Group sales advanced by 15.7 per cent to Fl 17.7bn. The operating result rose by 31 per cent to Fl 312.5m. Of this, Fl 167m was generated in the Netherlands (up 31 per cent) and Fl 69m in the US (up 23 per cent.) In the fourth quarter, net earnings rose 39.9 per cent to Fl 58.5m, on 12 per cent higher sales of Fl 4.2bn.

The group strengthened its home retail market position to an effective 35 per cent in 1989.

Aker sells off oil assets

AKER, Norway's biggest privately-owned industrial group, said yesterday that it had disposed of assets related to the offshore oil sector for NKr360m ($54.6m), making a profit on the deal of more than NKr80m, writes Karen Fossli from Oslo.

Aker sold a 75 per cent stake in the Petrojarl 1 oil production test vessel to Norwegian shipping company Det Nordenfjeldske Dampskipsselskap.

The deal included the sale of a 21 per cent stake in Golar-Nor Offshore, the management company for the Petrojarl 1, and a 75 per cent stake in chartering company Petrocharter.

Aker said the deal was part of its programme to divest interests in floating production and drilling units. However, the company is retaining a 50 per cent stake in Golar-Nor and has established a technology co-operation agreement.

Mediobanca rises by 69%

MEDIOBANCA, the Italian merchant bank, has paid L31bn ($24.6m) for a 2.2 per cent stake in Société Internationale Pirelli, the Swiss financial holding that controls the Pirelli industrial company, writes Haig Simonian.

Pre-tax profits before provisions at Mediobanca soared by 69 per cent to L275.7bn in the second half of 1989, thanks to buoyant lending and a lively commission business, particularly for equity-related deals.

Almost L72bn of the L112.8bn rise in the bank's profits, compared with the corresponding period in 1988, stemmed from lending and capital markets business. The remaining L41bn related to undisclosed net extraordinary items, the bank said.

Lending rose by 16 per cent, or L1,637bn, to L11,870bn, against a rise of L549bn in the corresponding period of 1988.

Canada's airlines wait for stormy weather

Bernard Simon on companies' preparations for a downturn as the economy slows

Canada's two leading airlines have switched on their Fasten Seatbelts signs for what may be a fairly long and uncomfortable period of turbulence. A taste of what lies ahead came with the recent announcement of 1989 earnings from Air Canada and PWA Corporation, the holding company of Canadian Airlines International.

The fourth quarter was the worst for Air Canada, which suffered an operating loss of C$44m (US$37m). For the year, the airline made C$149m, more than half of which came from the sale of just over a third of its interest in GPA Group, the Irish aircraft leasing company.

PWA's 1989 net loss of C$62.5m, with an operating loss of C$10.4m, put it in the red for the first year in almost two decades. The immediate outlook is not promising. Travel agents' bookings fell by 8 per cent in the final three months of last year, a bad omen for 1990.

Fuel costs have risen, and both airlines face tough negotiations this year for new labour contracts with most of their employees. On top of this, in January next year, a new consumption tax will add 7 per cent to the price of all Canadian airline tickets.

In acknowledgment of these strong headwinds, Air Canada and Canadian are either grounding or selling a substantial part of their fleets to cope with over-capacity. Air Canada has grounded two Lockheed L-1011 Tristars. PWA is selling all 12 new Airbus A-310s and two Boeing 747s it acquired when it bought Wardair last April.

The immediate cause of the airlines' discomfort is a softening economy in which consumer spending, in particular, has dried up.

For instance, Air Canada's passenger load factor fell from 71.4 per cent in 1988 to 69.7 per cent last year. Although Canadian Airlines' load factor averaged 67.3 per cent for the year, it slid to 62.5 per cent in December. The soft economy comes on top of a demanding few years.

Three years ago, Canadian Airlines was a Calgary-based regional carrier called Pacific Western Airlines (hence the holding company's name). PWA has absorbed four other airlines since, including Wardair.

Air Canada has been privatised in two stages. It is now listed on the Toronto Stock Exchange (TSE), and is subject to the investment community's scrutiny and the market-place.

The market-place itself has changed, with almost all constraints dropped for entry of new domestic airlines and adjustments to fares or routes.

The new flexibility was illustrated late last year when Intair, a small Montreal carrier, pulled out of an affiliation with Canadian Airlines and started regular services between Montreal and Toronto,

Net income (before preferred dividends)

	Air Canada	PWA Corp
1984	22	22.1
1985	(22)	13.4
1986	36	38.1
1987	46	58.9
1988	89	30.3
1989	149***	(56.0)

*** Includes C$[illegible] from sale of part of interest in GPA

adding 15 per cent to capacity on the route. As the two big airlines have concentrated on the busiest routes between big cities, smaller carriers flying turboprops and small jets have proliferated in more remote parts of the country.

Yellowknife, the Northwest Territories capital with a population of 11,000, is served from the south by three airlines.

Most of the smaller carriers are affiliated with either Air Canada or Canadian, synchronising timetables, promoting each other's services and even sharing aircraft colours.

At first glance Canadian appears to be the weaker of the two big carriers. It lost domestic market share to Air Canada last year as it withdrew about 13 per cent of its capacity following the Wardair purchase.

Within the next year or two, Air Canada expects to begin flying westward to Japan, South Korea and Singapore, breaking Canadian's monopoly on transpacific routes.

With a strong charter arm and Wardair's business, Canadian relies more heavily on the volatile leisure market than its rival. Furthermore, its parent company has a sizeable debt burden, with a debt-to-equity ratio of 1.4:1, including C$600m in borrowings inherited from Wardair.

Canadian's share price on the TSE has fallen much further in the past year than Air Canada's.

But Canadian has what it hopes is an ace up its sleeve. Half its revenues are generated by traffic passing through the antiquated and inefficient Terminal One at Toronto's Pearson International Airport, the third busiest entry point for international traffic in North America, after New York's JFK and Los Angeles. Terminal One has a design capacity of 6m passengers a year, but is handling over 10m.

Reflecting the congestion at Terminal One, this summer Canadian will extend its minimum connection time in Toronto from 30 minutes to 40-45 minutes.

Canadian is due to move to more spacious, modern facilities in September, when the airport's third terminal opens. Analysts expect the new terminal to be a major draw for passengers, if only as a temporary curiosity. One sign of Air Canada's concern is that it is upgrading its own terminal.

The new terminal will have an important impact on Canadian's European services. Lufthansa, which uses Air Canada's facilities in Toronto, will move to Terminal Three, while extending to central Canada the marketing and code-sharing alliance between the two in the West. As a result, Canadian expects its long-standing European hub in Amsterdam to shift to Frankfurt.

Canadian also expects that the sale of 14 aircraft over the next 30 months will enable it to pay off its Wardair debt, with some left to buy a new set of Boeing 747s, 767s and Airbus A-320s. The company forecasts a decline in its debt-to-equity ratio to 1.1:1 by the end of 1990.

Canadian is confident that, with the belt-tightening needed to integrate its acquisitions over the past three years, it will be better able than its rival to cope with a protracted downturn in business.

Chrysler clinches deal with Austrian company

By Kevin Done, Motor Industry Correspondent

CHRYSLER, the third largest US vehicle maker, yesterday signed a final agreement with the Austrian Government and Steyr-Daimler-Puch, the Austrian automotive and engineering company, to form a joint venture vehicle assembly company in Graz.

Chrysler and Steyr-Daimler-Puch Fahrzeugtechnik, the Austrian group's automotive engineering subsidiary, are to form a 50:50 venture, called Eurostar, to assemble Chrysler's Voyager minivan, one of the US group's most successful vehicles in the North American market.

The two sides have approved a total investment of Sch4.33bn ($361m) for the project, which will have an eventual production capacity of 100,000-125,000 vehicles a year.

The Austrian authorities are to provide subsidies to cover 33 per cent of the total capital investment, with 20 per cent coming from the Federal Government, 10 per cent from the province of Steiermark and 3 per cent from Graz.

In the first phase of the project, the two companies will invest Sch1.6bn ($133m) to establish an initial production capacity of 25,000-30,000 vehicles a year. Production is scheduled to begin in the first half of next year.

The first phase will create about 1,200 jobs, of which around two thirds will be in assembly, with the balance involved in component sub-assemblies and in development and engineering of European features for the Voyager range.

If all four stages of the project are implemented the total workforce could rise to 4,200.

Initially Chrysler aims to reach a 60 per cent European local content, but this is planned to rise later to 70 per cent in the second stage. The third stage will increase capacity to 50,000-70,000 vehicles a year.

Petrol engines, gearboxes and some sheet metal panels will be imported from the US, but Chrysler also plans to offer an Italian 2.5 litre turbo diesel engine from VM Motori, similar to the diesel engine fitted by Rover Group to its Range Rover range.

The Graz joint venture plant will produce all the Chrysler Voyagers for Europe.

Chrysler shipped 50,000 vehicles to Europe last year from the US, and Mr Robert Lutz, president of Chrysler Motors, said this was expected to increase by more than 20 per cent this year to 60,000-70,000 vehicles.

European sales, including vehicles produced locally, are expected to rise further to more than 100,000 by 1993, and to 150,000-200,000 by the late 1990s.

Chrysler expects its 800-strong European dealer network to rise to 1,000 by the end of 1990.

CanPac softens bid defence

By Robert Gibbens in Montreal

CANADIAN Pacific has softened its "poison pill" defence against hostile takeovers because of complaints from the investment community that it was too rigid.

Last December, CP, Canada's fourth largest conglomerate, proposed a poison pill allowing shareholders to buy new common stock one-for-one at a 50 per cent discount from the market price to repel a hostile suitor.

A holding of 10 per cent of CP's common stock would have triggered the defence, designed mainly to ensure a bid would be extended to all stockholders and meet their approval at a special meeting.

The investment community said fund managers might inadvertently trigger the pill and claimed the procedure for "permitted bids," or those approved by the board, was too complex.

CP has raised the trigger to 15 per cent of outstanding common stock. The poison pill plan, to be approved at the annual meeting on May 2, will be effective for five years instead of 10 before being resubmitted to stockholders.

CP will also seek approval on May 2 for its distribution of 80 per cent of Marathon Realty, its property development subsidiary, to its existing shareholders.

The company said fourth-quarter earnings were C$190.7m (US$162m) or 60 cents a share, down 8 per cent from C$206.6m or 65 cents a year earlier, on revenues of C$2.9bn, against C$2.7bn. CP Rail and Marathon provided higher contributions.

After adjustments this brought final 1989 earnings to C$745.2m or C$2.35, down 9 per cent from C$820.1m or C$2.65 in 1988. Revenues were up 1 per cent to C$11bn.

Macy's in red midway as competition cuts prices

By Karen Zagor in New York

R.H. MACY, the big department store chain which was taken private in a $3.6bn management-led leveraged buy-out in 1986, yesterday reported a $39m loss for the second quarter.

Macy's management had warned investors in February to expect weak results. The company was hard hit by the surge in promotional activity before Christmas, when competition from struggling Campeau Corp's department stores, such as Bloomingdale's, forced prices sharply lower.

Some analysts are worried about Macy's $5.61bn debt burden, and prices of its junk bonds fell sharply in February. However, the recent announcement caused little surprise, and Macy's high-yield bonds were only fractionally lower at midday yesterday.

Analysts do not yet expect Macy's to follow other highly-leveraged US department stores, such as Federated and Allied, into filing for bankruptcy protection.

"The company had certainly prepared the world for the problems it had," said Mr Gilbert Harrison, chairman of Financo, a New York merchant banking company specialising in retailing.

In a filing with the Securities and Exchange Commission, Macy's reported a net loss of $39m for the three months ended January 27 compared with net income of $72.6m a year earlier. The 1989 results included an extraordinary charge of $4.83m.

Net sales in the latest three months grew to $2.44bn from $2.28bn in 1989, while comparable store sales improved 5.4 per cent in the recent quarter.

Selling, general and administrative expenses as a percentage of sales rose to 21.2 per cent in the latest quarter from 20.5 per cent a year earlier. The increase was attributed, in part, to higher costs of improved customer services.

For the first half, Macy's had a net loss of $72.2m against net profits of $53.6m a year earlier.

Sales in the latest six months advanced to $4.15bn from $3.90bn the year before.

Expenses as a percentage of sales were 23.3 per cent against 22.5 per cent in 1989.

American Stores climbs to $118m

AMERICAN Stores, the largest US supermarket chain, reported a sharp improvement in earnings for the fourth quarter and whole of 1989, led by strong performances from the company's drug stores and Lucky Stores, writes Karen Zagor.

American's net profits for the 14 weeks ended February 3 rose to $53.1m or $1.61 a share from $20.2m or 52 cents for the 13-week fourth quarter a year earlier. The latest quarter included a non-recurring gain of 12 cents a share from asset sales.

Sales improved 14 per cent to $6.14bn in the latest quarter. On a comparable store basis, sales rose 4.7 per cent from $5.39bn. Operating profits jumped 45.4 per cent to $196.7m from $135.3m.

Net profits for the 53 weeks of 1989 advanced to $118.1m or $3.45 a share from $98.2m or $2.54 for the 52 weeks of 1988. The latest year's earnings included extraordinary items which resulted in a gain of 69 cents a share. In 1988 there was an extraordinary gain of 58 cents a share.

Sales grew 19.1 per cent to $22bn, or by 5.7 per cent on a comparable store basis.

Operating profits increased 35.8 per cent to $603.5m in the year ended February 3 from $444.3m the previous year. The company said all of its major subsidiaries reported improved operating profits for both the latest quarter and year.

INTERNATIONAL COMPANIES AND FINANCE

Foster's Brewing sees global sales of A$9bn

By Chris Sherwell in Sydney

FOSTER'S Brewing Group, the beer producer which is to emerge from the restructuring of Australia's Elders IXL, expects to have worldwide sales of A$9bn (US$6.82bn) following yesterday's agreement in the UK between its Courage subsidiary and Grand Metropolitan.

Elders IXL said the transaction would make Foster's the world's fourth largest brewer, while asset sales associated with the reconstruction would leave it showing net tangible assets of A$1.7bn.

Under the agreement, Courage is to purchase GrandMet's UK brewing and brands interests and its beer distribution and wholesaling activities while Courage's 4,940 pubs will merge with GrandMet's 3,570 pubs in a joint venture.

"The deal is cash neutral for us because the cost of the breweries is paid for by the release of cash from the pub restructuring," Mr Peter Bartels, who is to be chief executive of Foster's Brewing, was quoted as saying. "We have become the UK's second biggest brewer for no outlay to our shareholders."

The enlarged Courage will form the European arm of Foster's Brewing. Its other interests, apart from a half share in the UK pubs company, will be in Australia, through the wholly owned Carlton and United Breweries, and in North America through a 50 per cent share in Molson Breweries.

According to a projected post-reconstruction balance sheet, offered by Elders as a guide to the standing of Foster's, tangible assets of Elders IXL will be reduced from A$8.8bn in June 1989 to A$5.1bn for Foster's Brewing Group by June 1991.

This will be achieved with the planned sale of A$2.6bn in assets and the spin-off of Elders' agribusiness. Against this, Elders said debt would be reduced by A$640m to A$1.5bn, its convertible note obligations were already down marginally and payables and provisions would stand unchanged at A$1.6bn.

The overall debt:equity ratio would be 1:1 after allowing for the asset sales and for A$2.7bn in capital returns under the planned reconstruction. About A$1bn in asset sales had been completed since June 1989, and another A$1.6bn was scheduled by June 1991.

Shareholders' funds would be reduced from A$4.03bn in June 1989 to A$2bn in June 1991, primarily due to the capital return. A revaluation of brand names and trade marks was expected to add approximately A$2bn to assets and shareholders' funds, Elders said.

Newly-launched NZ TV group's share price falls

TV3 NETWORK, a recently-launched commercial television channel in New Zealand, said yesterday it foresaw a need for additional funding. However, it was not aware of any reason for the recent sharp fall in its share price, Reuter reports from Wellington.

In response to a stock exchange query, TV3 said it intended to make further staff reductions in response to poorer than expected ratings but had no reason to believe anyone had bought or sold shares on the strength of the plan.

The stock fell 45 cents to close at 60 cents, halved from Friday's level. TV3 is 15 per cent owned by NBC, a unit of General Electric of the US. A 15 per cent stake was sold to the public in November at NZ$2.50 a share.

"Arrangements are currently being discussed" for additional funding, it said. The detailed review "will include a revised business plan prepared by the management."

The company has moved to appoint Mr Pat Wallace, a former NBC executive, as chief operating officer.

The board plans to issue a more detailed statement on the move after its meeting on March 25.

Units hold Hongkong Bank to 11% gain

By John Elliott in Hong Kong

POOR RESULTS from US and Australian offshoots last year hit the performance of Hongkong and Shanghai Banking Corporation, where profits after tax and transfers to inner reserves rose by only 11 per cent to HK$4.77bn (US$610m).

The unexpectedly low outcome, partly caused by the bank's exposure to Australia's ailing Bond Corporation, was accompanied by an announcement of a substantial HK$13.79bn strengthening of the bank's capital base following independent property revaluations.

The property surplus was considerably higher than had been expected. The bank announced yesterday that it had been credited to published reserves, which rose to HK$38.13bn at the end of last year from HK$22.82bn a year earlier.

However, the board has decided not to disclose the full inner reserves, nor the total amount being transferred this year. Shareholders' funds rose from HK$22.83bn to HK$38.12bn.

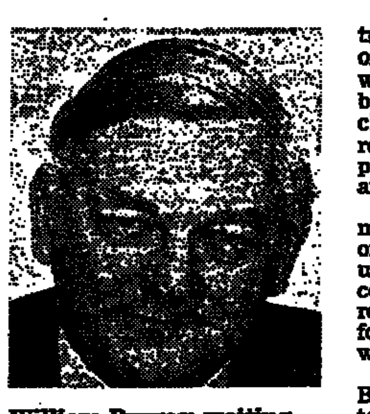
Mr William Purves, the chairman, declined last night when he announced the results to indicate any timetable either for the disclosure of inner reserves or for an announcement of a closer link with Midland Bank of the UK, in which Hongkong and Shanghai owns 14.9 per cent. The relationship with Midland, which is expected to change by the end of the year when a conditional three-year moratorium on the 14.9 per cent stake expires, was "excellent and developing."

Mr Purves, who is known personally to favour the hidden reserves system, said last October that disclosure was being considered, mainly because of international trends.

Yesterday he said that Swiss and West German banks had not moved the trend forward in the past year. "I think we will wait for steps to be taken by other banks," he added.

"When these banks do move I am sure the board will consider it." In the meantime, it had been decided to move gradually towards full disclosure, starting with transfer of the HK$13.79bn property surplus to disclosed reserves.

The 11 per cent profit increase for last year compared with a 19.7 per cent rise in 1988 and was well below forecasts. It was the result of "conservative provisions against specific parts of the loan portfolios" of the New York-based Marine Midland and Hongkong Bank of Australia, whose results Mr Purves said were "disappointing."



William Purves: waiting for steps by other banks

The Marine Midland profits, announced a month ago, fell last year to US$14m from US$161m because of an unexpectedly large increase in provisions of US$263.3m for US domestic loan losses.

A substantial part of the Australian provisions were for bad debts arising from Bond Corporation's financial difficulties.

These and other problems pulled Hongkong Bank of Australia into a consolidated loss of A$81.6m (US$62m) compared with a A$10.8m profit. The bank said there had been charges of A$145.2m "in respect of specific and general provisions for doubtful debts and bad debt write-offs."

In Hong Kong, despite a marked slowdown in the economy to a gross domestic product growth rate of only 2.5 per cent last year, loan demand remained buoyant and the performance of the banking sector was "encouraging."

Another subsidiary, British Bank of The Middle East, yesterday announced its best results ever with an after-tax profit of £22.56m (US$35.8m), up from 1988's £17.4m. After equity accounting for the results of its Saudi British Bank associate, the attributable profit was £30.7m compared with £2.9m.

Mr Purves announced a final dividend for Hongkong and Shanghai of 28 cents, bringing the total for the year to 42 cents, 15.5 per cent up on 1988. The property revaluation, which includes Hongkong and Shanghai's 61.48 per cent share of Hang Seng Bank, produces a book value of HK$9.05 a share compared with a current traded price of around HK$7.45.

James Capel edges back into profit

By Richard Waters

JAMES CAPEL, the London stockbroker owned by Hongkong Bank, edged back into profit in 1989 after two years of heavy losses resulting from difficult market conditions and overseas expansion.

Its £4.6m ($7.4m) pre-tax profit, compared with a loss of £32.4m the year before, marked "a significant recovery after a year in which we had spent a lot of money developing our businesses," said Mr Peter Quinnen, chairman.

He put the 1988 losses down mainly to the fact that, rather than buying overseas broking operations and writing off the goodwill against reserves, Capel's policy was to build its own businesses and take the development costs through its profit and loss account.

During 1989 there had been a significant increase in trading volumes and market share in almost all areas, he said.

In Japan, Capel moved into profit after incurring a loss of more than £7m in 1988, the largest single factor in the improvement. Heavy losses in Australia were also largely stemmed. Other significant improvements came from the firm's fixed-income division and its French broker.

In spite of its leading market share in UK equities, where it claims more than 9 per cent of customer business, Capel again only made a marginal profit. Mr Quinnen put this down to the continuing overcapacity in the market, which he did not expect to be withdrawn soon.

Due to unsettled market conditions, the current year is likely to be one of "consolidation," said Mr Quinnen.

BTR Nylex registers seventh record year

By Chris Sherwell

BTR NYLEX, the fast-growing industrial subsidiary of BTR of the UK and Australia's second largest company by market capitalisation, yesterday announced its seventh consecutive year of record annual profits and its fifth successive scrip issue.

For the year to December it showed a better-than-expected after-tax profit of A$521m (US$394.9m), up 65 per cent, and a 55 per cent surge in sales revenues to A$4.95bn.

With earnings per share rising 49 per cent to 48.5 cents, shareholders will receive a one-for-one scrip issue plus a final fully franked dividend of 12.5 cents, making 22.5 cents for the year, up from 15 cents.

In spite of the performance, BTR Nylex shares fell 6 cents to A$5.86 on a generally weaker Australian stock market, where developments are currently overshadowed by the March 24 general election and continued weakness in Tokyo.

The principal factor behind BTR Nylex's latest boost was Feltrax International, taken over in 1988, which contributed A$1.48bn of sales and a pre-tax profit of A$123m.

Overall profit before tax and interest topped A$1bn for the first time.

The company said the results were struck in spite of high interest rates and disappointing second-half results from the Taiwan plastics operations because of political unrest in mainland China and other external factors.

A breakdown of the figures shows the group's polymer division contributed a reduced profit before tax of A$198m, down from A$226m, on flat sales. By contrast all other divisions showed an improvement, led by the packaging division which rose to A$206m from A$131m.

Geographically, Australian operations continued to dominate both pre-tax profits and sales, but contributions from the group's US interests showed a sharp rise, with pre-tax profits advancing almost six-fold to A$141m, and sales more than four-fold to A$932m.

The group's gearing at the end of the year was 37.5 per cent (net borrowings as a percentage of shareholders' funds), but this has since been reduced to 13.4 per cent under the A$660m capital raising exercise announced in December.

On the outlook, BTR Nylex said the current year had so far seen "generally satisfactory order levels with some weak spots," and was planning for an eighth year of growth. In spite of Despite persistent speculation, it made no mention of planned acquisitions.

INTERNATIONAL CAPITAL MARKETS

A way to go on settlement issues

Andrew Freeman on G30's approach to securities markets matters

Leading securities markets have made significant progress towards reducing trading risks in the international securities markets, but are still a long way from implementing planned improvements in their clearing and settlement systems.

This is the conclusion of a report to be presented in London today by the Group of Thirty, an international group of bankers and heads of securities houses.

The G30 was responsible for the most influential report on international settlement and clearing issues published since the stock market crash of October 1987, which revealed the dangers of the outdated systems used in many of the world's stock and bond markets.

Its meeting today, a year after their first report was published, will review the progress made by 17 securities markets around the world.

Those involved believe they are playing for high stakes. Whichever markets are the earliest to achieve quick and efficient settlement systems stand to increase their share of the lucrative cross-border trading in securities.

Last year, the G30 made nine recommendations designed to improve settlement of international equities, with the assumption that improvements would also be applicable to other instruments. It proposed an ambitious timetable for implementation, with the key measures to be adopted by late 1992.

The individual market reports stand as strong evidence that G30, in spite of its lack of legal or formal powers, has won widespread acceptance among the international securities industry that steps must be taken to reduce systemic risk by improving settlement efficiency.

But while the overall tone of the report is positive, some of the claims made for individual markets suggest their authors have been economical with the truth.

If the G30's recommendations are followed, the resulting convergence of practices and standards should significantly improve the liquidity and transparency of cross-border trading.

The reporting countries can be divided into a group of eight leading markets, all of which have a representative on the G30 steering committee, and a further group of nine countries covering some of the world's smaller markets.

Lord Richardson, chairman of the G30, notes in his introduction to the latest review that: 'In a number of countries, the hard work of actual implementation, involving difficult decisions, still lies ahead.'

A good indication of how much is at stake for the individual markets can be gleaned from the Australian status report which remarks: "The relatively small size [of the Australian market] makes it particularly vulnerable to inefficiencies in clearing and settlement because of the resultant loss of order-flow to other markets."

In Europe, for example, the UK acquired a sense of urgency relatively recently when it realised that its dominance of international equity trading was seriously threatened by improvements beckoning on other European markets.

Full proposals for the development of the International Stock Exchange's Taurus system were presented for the first time last week in London. They included the admission that the UK will move to a rolling settlement system at a very late stage, depending on the successful implementation of Taurus.

At least two of the status reports presented by European countries appear to take an unduly generous interpretation of both the meaning of the G30 recommendations and the extent of implementation already achieved.

In other cases, there is a tendency towards brevity at the expense of explanation. In the Swiss report, for example, the authors note simply that no action is planned for the moment on recommendation two, concerning trade affirmation for indirect market participants, but give no reasons for this gap.

At such an international gathering, it is inevitable that no market wants to appear to be behind the competition or slow off the mark.

Members of the G30 steering committee are under few illusions, however; an optimistic report today still has to be translated into an efficient settlement system in two or three years time.

Indeed, Lord Richardson, chairman of the G30, notes in his introduction to the latest review that: "In a number of countries, the hard work of actual implementation, involving difficult decisions, still lies ahead."

A close reading of the reports shows that each market has unique difficulties in trying to meet the G30 timetable for introducing the nine recommendations.

The present settlement systems in some of the smaller markets are many years away from the standards suggested by the G30.

Their challenge is fundamental – in several cases, it involved re-thinking the entire settlement process.

In the bigger markets, in spite of the existence of features which satisfy one or more of the G30 recommendations, key elements of the settlement infrastructure are proving elusive.

Three of the recommendations in particular, numbers five, six and seven, emerge as causing the most intractable difficulties for the world's largest securities markets.

Recommendation five concerns so-called Delivery Versus Payment (DVP), in other words the simultaneous delivery of cash in receipt of securities or vice-versa.

Recommendation six pushes for the adoption of the "same day" funds convention, while seven advocates rolling settlement and sets a 1992 target of final settlement on the third day after trading.

It is no coincidence that these are the most important measures by which systemic risk can be reduced. They are also measures which cut across strong vested interests.

For example, the "same day" funds convention could cost international banks large sums through the implied loss of revenues on overnight balances.

The ultimate goal of risk reduction requires a fine balance between desirability and practicality. As the UK example makes clear, the introduction of rolling settlement is only viable if it occurs in an environment where it serves to decrease risk.

At this point the status reports are difficult to translate into an evaluation of real progress, although the countries responding to the G30 recommendations have shown admirable industry.

If there is a further colloquium in 1991, it may be clearer which countries are winning the race towards settlement efficiency.

US bank in Argentine debt swap

By Gary Mead in Buenos Aires

MANUFACTURERS Hanover, one of Argentina's largest creditors, has taken a 29 per cent share in Massuh, a leading Argentine paper and cellulose manufacturer. The deal involves the US bank offloading some of its $1.4bn Argentine debt in the form of a debt-equity swap, worth between $25m and $30m in cash to Massuh.

Massuh estimates it exported 20 per cent of its production, worth $35m, in 1989. The sale of almost one third of the company to Manufacturers Hanover was described by Mr Daniel Moulia, a Massuh director, as an indication of the bank's "total support for the management of the company." He added it would not be seeking a management role in the company.

Argentine debt has been trading at between 10 and 15 per cent of its nominal value on secondary markets; in the Massuh deal the debt is to be exchanged at an average 40 per cent of face value. The US bank has announced that a total of $200m will be invested in Massuh, of which the debt-equity swap forms a part.

Of 16 leading US banks holding Argentine debt, Manufacturers Hanover remains the most exposed. Argentina has not made any payments on its $60bn foreign debt since April 1988, and is more than $5bn behind with interest payments.

Negotiations between the Government and its commercial bank creditors have been stalled since that time. However, the Massuh arrangement is one of several private sector moves to resolve the otherwise frozen relations.

Former Drexel staff in trading joint venture

AMERICAN International Group, one of the world's leading insurance organisations, has entered an agreement to form a trading and market-making joint venture with several former employees of Drexel Burnham Lambert, the troubled investment bank, AP-DJ reports.

The venture will involve former Drexel employees Mr Gary Davis, Mr Barry Klein and Mr Robert Rubin, American International said.

The company said the venture will engage in trading and market-making in foreign exchange, foreign exchange options, oil and oil-related commodities, and gold and other precious metals.

Mr Thomas McHale, former Drexel Burnham Lambert managing director international, and about 150 other former Drexel employees "are expected to join the new company," American International said.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on March 13

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
B.F.C.E. 8⅜ 94	175	96⅜	96⅞	−0⅛	−0⅛	9.35
B.F.C.E. 9⅛ 95	150	†98⅞	99⅜	0	−0⅜	9.43
Brit. Tel. Fin. 9⅜ 98	250	†99	99⅜	0	−0⅛	9.49
Canada 9 96	1000	99⅜	99⅝	0	−0⅛	9.11
C.C.C.E 9¼ 95	300	99⅜	99⅞	0	−0⅜	9.34
Cr.Local France 8⅞ 99	250	95½	96	−0⅛	−0⅛	9.48
Credit National 7⅞ 92	100	96½	97	0	−0⅛	9.11
Credit National 9½ 92	160	†100⅛	100⅝	0	−0⅜	9.31
Denmark 8¼ 94	150	†95¼	95⅝	0	−0⅜	9.51
E.E.C. 7 91	100	96⅜	96⅞	0	−0⅜	9.16
E.E.C. 10 93	140	†102⅛	102⅛	0	0	9.16
E.I.B. 8⅞ 99	150	94⅛	94½	−0⅛	−0⅛	9.42
Eurofima 10⅛ 93	100	†102⅛	102⅛	0	+0⅛	9.23
Elec. De France 9⅞ 99	200	†100	100⅛	−0⅛	0	9.48
Euro Credit Card Trs. 9 95	750	97⅛	97⅜	−0⅛	−0⅛	9.65
Finland 9 96	250	†98	98⅛	−0⅛	−0⅛	9.37
Finn. Exp. Cd. 8½ 92	200	98⅛	98⅝	0	−0⅜	9.35
Finn. Exp. Cd. 9⅞ 95	200	†100	100	0	+0⅛	9.35
Ford Motor Credit 8 91	250	†98⅛	99⅛	0	−0⅛	9.10
Gen. Elec. Cap. Crp. 10 1/2 91	300	†101⅛	101⅜	0	0	9.03
G.M.A.C. 8⅞ 94	500	†96⅛	96⅝	0	−0⅜	9.72
G.M.A.C. 9 96	300	96⅛	97⅛	0	−0⅜	9.66
Gen. Mtrs. Corp. 9⅛ 92	200	†99⅛	99⅝	0	−0⅛	9.39
Honda 9⅝ 97	300	98⅛	99⅛	0	−0⅛	9.82
IBM Credit Corp. 8⅝ 92	400	98⅝	99⅛	0	−0⅛	9.05
IBM Credit Corp. 8⅞ 91	250	†98⅛	99⅛	−0⅛	−0⅛	9.41
IBM Credit Corp. 9 92	250	99⅛	99⅜	0	−0⅛	9.28
IBM Credit Corp. 9½ 92	250	100⅜	100⅛	0	−0⅛	9.28
Italy 8½ 94	1500	96⅛	97⅛	0	−0⅛	9.34
Italy 9½ 95	1000	100⅛	100⅛	0	−0⅛	9.36
Italy 9⅝ 99	1000	100⅛	100⅜	0	−0⅛	9.52
Itoh C. W/W 4⅛ 94	1000	†97	98½	−0⅛	−3½	5.22
Japan Dev. Bank 10 96	200	102⅛	102½	−0⅛	−0⅛	9.46
KFW Intl. Fin. 9 94	300	98⅜	98⅛	0	−0⅜	9.39
L.T.C.B. of Japan 8⅞ 96	200	95½	96⅛	0	−0⅛	9.64
L.T.C.B. of Japan 9⅛ 92	200	†99	99½	0	−0⅛	9.54
New Zealand 9 94	850	97⅛	98⅛	−0⅛	−0⅛	9.58
Nippon Tel. & Tel. 8⅞ 96	200	95	95⅛	0	−0⅜	9.47
Nippon Tel. & Tel. 9⅝ 98	250	99⅛	99⅜	−0⅛	−0⅛	9.49
Norway 8⅞ 95	500	†98⅛	99⅛	−0⅛	−0⅛	9.20
Oesterr. Kontbk. 9⅛ 94	350	†99⅜	99⅞	0	−0⅜	9.50
Sumitomo Corp. W/W 4 93	1500	102⅜	104⅛	−3½	−3½	2.79
Sweden 8⅞ 96	200	97⅛	97⅜	−0⅛	−0⅛	9.35
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

The remaining sections of the bond table (further US Dollar Straights, Deutsche Mark Straights, Swiss Franc Straights, Yen Straights, Other Straights, Floating Rate Notes, Convertible Bonds) are [illegible] at this scan resolution.

* No information available-previous day's price
† Only one market maker supplied a price

[illegible]

COMPANY NOTICES

LEGAL NOTICES

OBITUARIES

SADLER

On March 5th 1990, at St. Thomas' Hospital after a courageous battle with illness, Margaret Anne, most beloved wife of John Parry adored daughter of Rosina and the late Tom and sister of Tom, Richard, Robert and Kathryn. Treasured friend of many to whom she gave so much. Private family funeral at Woodvale Chapel, Brighton on Wednesday 14th March. Flowers to Ashton's, 121 St.James Street, Brighton, Sussex BN2 1TH. Donations to Dr. Thelma Bates (on behalf of Margaret Sadler) at the Richard Dimbleby Day Care Centre, St. Thomas' Hospital, Lambeth Palace Road, London SE1 7EH. Date and London venue of memorial service will be announced shortly.

INTERNATIONAL CAPITAL MARKETS

Citic launches warrants issue to raise HK$1bn

By Stephen Fidler, Euromarkets Correspondent

CHINA INTERNATIONAL Trust and Investment Corporation, Peking's foreign investment arm, yesterday resorted to financial engineering to help finance its purchase of a 20 per cent stake in Hongkong Telecommunications.

It launched an issue of 669.2m warrants, each a five-year option to buy one Hongkong Telecom share.

The warrants issue, which will raise about HK$1bn (US$127m), is part of a broader financing which includes a HK$5.4bn loan, led by Barclays Bank, and an A$224m (US$170.9m) zero coupon facility. Citic bought its stake at a cost of HK$10bn from the UK company, Cable & Wireless, whose stake was thus reduced to 55 per cent. Citic has made up the rest of the financing through its own resources.

The warrants cover about 6 per cent of Hongkong Telecom's capital, the shares being placed in trust. The financing means that Citic will lose the financial benefit if the shares appreciate over the next five years, but it will be able to preserve its holding and voting rights because it has the option to provide warrant holders with cash instead of the actual shares.

The warrants – lead managed by Morgan Stanley and Barclays de Zoete Wedd – were priced at US$0.1925 apiece, compared with the HK$5.35 share price this morning. This suggests a 17 per cent exercise premium and a gearing – the share price divided by the warrant price – of 3.56 times. It means the warrants are well in the money at an exercise price of HK$4.755 a share.

The purchase of a 20 per cent stake in the company was widely seen as an effort by the Chinese Government to underline its commitment to the continuing economic strength of Hong Kong. The fact that it has issued covered warrants against part of that holding appears to indicate the extent to which the organisation is short of cash.

Although the syndicated loan for Citic was oversubscribed – albeit at a higher interest margin than would have prevailed before the massacres in Peking last June – there has been a more general recoiling of lenders to the country.

The warrants will be listed in London and in Hong Kong, and will be settled through the international clearing systems, Euroclear and Cedel, as well as the Hong Kong Securities Clearing Company.

The original plan had been to price the warrants – initially given an indicated premium of 14 to 17 per cent – some time over the next few days. The decision to fix the price yesterday was taken to indicate the issue was well received.

Growth in US placements

THE VOLUME of private placements in the US grew modestly last year to $170.7bn, a 3.8 per cent increase from 1988's $164.4bn, according to data from the research firm, IDD Information Services, Reuter reports.

IDD said private placements accounted for 35.5 per cent of the financing volume of both public and private markets during 1989 compared with 37.4 per cent in 1988.

Goldman Sachs captured the number one position as agent and adviser for private placements last year, accounting for $22.8bn or a 13.4 per cent market share. First Boston retained its second place slot with $19.5bn – an 11.5 per cent market share.

Last year's growth rate was relatively sluggish compared to the double digit rates earlier in the decade. Private placement volume in 1980 was $15.9bn.

However, the private placement market is expected to become more active with the expected passage this year of new rules from the Securities and Exchange Commission.

NEWS IN BRIEF

Shearson cuts more City staff

THE ASSET management division of Shearson Lehman's London operations yesterday became another part of the firm to be subjected to the cost-cutting which is intended to reduce the worldwide workforce by 2,000, writes Richard Waters.

A total of 16 people, including Mr Carl van Horne, chief executive, and two other senior equity asset managers, were made redundant. This constitutes a third of the division's staff. The active stock-picking part of the business was closed. Shearson has shed 55 of its 1,050 London jobs in the past week.

● Shearson has also now closed its Australian office, Agencies add.

It started business in Australia in 1987, but last October shut its local interbank foreign exchange, financial futures and share-brokerage activities, reducing the number of employees from around 35 to seven. All remaining staff will now go.

● Dresdner Bank of West Germany is to shift part of its private banking operations from Hong Kong to Singapore in April. A bank official said the decision had been taken on operational grounds as it would be more convenient to serve south-east Asia from Singapore.

The official could not say how many Hong Kong staff would be moved to Singapore. Dresdner operates a restricted bank and a merchant bank on the island.

● Malaysia plans to introduce reforms in the insurance industry to give greater regulatory powers to the authorities, the central bank said in a report.

The bank, which took over regulation of the insurance sector in 1988, said a review of the Insurance Act 1963 was currently in the final stages and would be submitted to parliament soon.

It said the sector, boosted by a strong economy, posted strong growth in the last two years. The combined premium income of the life and general insurance business rose to 2.45bn ringgit (US$907m) in 1989 after growing 11 per cent to 2.14bn ringgit in 1988.

Sears, Roebuck in $500m receivables issue

By Norma Cohen

INTERNATIONAL BONDS

SEARS, Roebuck, one of the largest retailers in the US, is making its first foray into the European receivables-backed market today with a $500m five-year issue, lead managed by Credit Suisse First Boston.

The issue will be backed by a pool of Sears credit-card receivables and is the first such issue in Europe to use a subordinated tranche of debt to guarantee interest payments to investors in the senior tranche.

The subordinated tranche will total about $42.5m, sufficient to cover by more than three times Sears' worst historical charge-off rate on its credit card accounts.

The five-year bonds will be sold on a fixed-price re-offer basis and will have the spread fixed today at 85 to 87 basis points over US Treasuries. They will carry a AAA rating from the major US credit agencies.

Previous Euro-issues of credit-card backed debt have used either a letter of credit from a AAA-rated bank or a third-party insurance policy.

While some proponents of the insured structure argue that it is more efficient and less expensive than the senior subordinated structure, a rating downgrade for the provider of the insurance policy could expose investors to a certain amount of event risk.

While Sears is a household name in the US, it has a much lower profile in Europe and the company has been holding presentations for investors here to familiarise them with its operations.

Meanwhile, Sears is paying a very slight premium to tap a new market – it issued credit-card backed debt in the US yesterday at 84 basis points over Treasuries.

In France, European Investment Bank reopened the market for long-term issues by launching a FFr1bn eight-year Eurobond bearing a coupon of 10½ per cent and priced at 100.85. It was the first such issue since the EIB tapped the market in late January.

Yesterday's issue was priced to yield 51 basis points over the 9½ per cent government bond due 1998.

While the deal was considered correctly priced, the EIB's persistent presence in the market has dulled investor appetite for new paper. It closed just inside full fees at less 1.85 per cent bid.

In Switzerland, two more Japanese borrowers issued equity linked debt. However, dealers saw a glimmer of more sensible pricing in the smaller of the two deals, a SFr45m convertible for Iseki Poly-Tech lead managed by Swiss Bank Corp. It carried a coupon of ½ and a yield to the put date of 5.014 per cent, higher than that of previous recent issuers. Japanese borrowers have traditionally insisted on raising funds at the same levels as their competitors, even when the borrowers' standing or market conditions merit more generous terms.

Dealers regard the Iseki issue as a sign that borrowers are becoming more realistic about terms. Meanwhile, the markets responded affirmatively to the deal, with the issue bid well inside fees at less 1 per cent.

In contrast, the other equity-linked issue, a SFr100m equity warrant bond for Sumitomo Seika Chemicals with a coupon of 2½ per cent – in line with that of previous borrowers – fared badly.

Aside from the market's current distaste for warrant bonds, the coupon was considered too low to be attractive.

The issue was quoted late yesterday at a substantial discount of less 5¼ per cent bid.

Dollar-denominated warrant deals are faring little better. Yesterday, Snow Brand Milk Products launched $200m four-year deal with a coupon fixed at 2⅜ per cent. It was quoted by lead manager Daiwa Europe at 94 per cent bid against a par issue price.

Two new Ecu deals were launched, the larger of which was a Ecu100m five-year issue for IBJ Finance Co NV. The deal, lead by IBJ International, carries a coupon of 11 per cent and is priced at 101⅝ to yield 11.03 per cent if purchased at a discount equal to its full 1⅞ per cent fees.

Also, Credit Local issued a Ecu75m five-year deal intended to be fungible with a Ecu150m issue launched in January.

The securities carry a coupon of 10¼ per cent and are priced at 99.05 to yield 11.01 per cent at a discount equal to full fees.

The new tranche offers a yield pick-up of about 10 basis points over the existing issue.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
FRENCH FRANCS						
EIB(a)◆	1bn	10½	100.85	1998	1⅞/1⅛	Societe Generale
ECUs						
IBJ Finance Co.◆	100	11	101⅝	1995	1⅞/1¼	IBJ Int.
Credit Local(b)◆	75	10¼	99.05	1995	1⅞/1¼	CCF
US DOLLARS						
Snow Brand Milk Products§	200	2⅜	100	1994	2¼/1½	Daiwa Europe
SWISS FRANCS						
Sumitomo Seika Chemicals★★◆	100	2½	100	1994	1½	Banca del Gottardo
Iseki Poly-Tech Inc.(c)★★§	45	½	100	1994	1½	SBC
YEN						
Abbey National Treasury(d)◆	11.4bn	7.7	101.775	1995	1⅞/1¼	Daiwa Europe

★★Private placement. §Convertible. ♦With equity warrants. ◆Final terms. a) Non-callable. b) Fungible with Ecu150m bond launched in January. c) Yield to put 5.014%. d) Issue increased from Y10bn.

Strong retail figures for February weaken Treasuries

By Janet Bush in New York and Andrew Freeman in London

GOVERNMENT BONDS

US Treasury bonds weakened yesterday after the release of retail sales figures for February which provided evidence of considerable robustness in consumer spending and underlined the now majority view that no monetary easing is in prospect. At midsession, medium-dated issues were as much as ¼ point lower and the Treasury's benchmark long bond was quoted ½ point lower for a yield of 8.65 per cent.

US retail sales dropped 0.9 per cent in February but this was all due to weakness in auto sales. Stripping out cars, sales rose 0.5 per cent. Economists noted that nearly all categories of sales showed gains, suggesting a strong propensity among consumers to carry on spending. Coupled with last Friday's strong employment data for last month, the bond market is now convinced that the US Federal Reserve will not ease monetary policy.

There is even concern that the Fed may err towards tightening although this flies in the face of the Administration's wishes. The market is watching the Fed's open market operations closely. Analysts estimates that the central bank has an adding need of around $2.5bn a day over the next week or so. However, the Fed chose not to operate in the market yesterday.

There are various interpretations. One is that the Fed is content to see Fed funds drift a little above the current 8¼ per cent target.

■ Further weakness in the Japanese bond market was brought about by the fall of the yen against the US dollar. Prices opened lower and eased throughout the Tokyo day, to close at their lows.

■ The UK government bond market had a lacklustre day's trading. Prices closed broadly unchanged, with dealing driven by technical position-squaring ahead of next Tuesday's budget.

■ West German government bond traders reported a quiet session as attention remained firmly focussed on Sunday's East German elections.

■ The French Treasury said yesterday it would reopen its 9 per cent BTAN note issue due in January 1993, and issue between FFr1bn and FFr2bn. It is the first time the government has reopened an issue of BTANs.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		10.000	4/93	91-12	-06/32	13.52	13.29	12.29
		10.500	5/99	89-12	-09/32	12.46	12.27	11.32
		9.000	10/08	81-20	-16/32	11.40	11.20	10.38
US TREASURY *		8.500	02/00	98-28	-06/32	8.67	8.62	8.32
		8.500	02/20	98-14	-08/32	8.65	8.63	8.38
JAPAN	No 119	4.800	6/99	85.9347	-0.546	7.35	7.15	6.66
	No 2	5.700	3/07	89.4842	-1.049	7.06	6.79	6.30
GERMANY		7.125	12/99	88.8500	+0.150	8.87	8.95	8.44
FRANCE	BTAN	8.000	10/94	90.2247	-0.158	10.78	10.77	10.49
	OAT	8.125	5/99	87.9860	-0.860	10.16	10.29	9.94
CANADA *		9.250	12/99	86.6500	-0.350	11.01	10.71	10.05
NETHERLANDS		7.500	11/99	89.5800	+0.140	9.16	9.15	8.57
AUSTRALIA		12.000	7/99	92.5805	+0.100	13.40	13.45	12.87

London closing, *denotes New York morning session
Yields: Local market standard. Prices: US, UK in 32nds., others in decimal
Technical Data/ATLAS Price Sources

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

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EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Tue Mar 13 1990 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1990 to date	Mon Mar 12 Index No.	Fri Mar 9 Index No.	Thu Mar 8 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (202)	848.08	-0.1	13.54	5.11	8.99	3.19	848.91	850.72	854.40	974.30
2 Building Materials (27)	1029.98	-0.2	15.24	5.50	8.18	0.89	1031.75	1034.27	1041.16	1236.66
3 Contracting, Construction (37)	1396.35	.....	17.59	5.70	7.45	6.04	1396.75	1395.96	1400.74	1801.66
4 Electricals (10)	2421.01	+1.1	12.37	5.37	9.87	0.75	2395.69	2398.32	2413.80	2890.24
5 Electronics (29)	1800.29	-1.7	10.07	4.09	12.88	16.17	1831.10	1839.79	1855.70	2200.94
6 Engineering-Aerospace (8)	422.83	+0.1	14.30	5.22	8.59	0.04	422.38	422.34	422.71	0.00
7 Engineering-General (44)	461.70	-0.1	12.67	5.27	9.45	2.83	462.26	465.03	464.11	0.00
8 Metals and Metal Forming (6)	472.62	+0.4	24.93	6.59	4.53	0.00	470.53	469.70	469.77	549.42
9 Motors (16)	353.52	+0.1	14.68	6.14	8.05	3.10	353.18	356.22	355.18	321.06
10 Other Industrial Materials (25)	1564.05	+0.7	10.96	4.64	10.61	3.12	1553.53	1552.57	1561.17	1614.74
21 CONSUMER GROUP (177)	1202.91	+0.2	9.50	3.99	13.15	3.97	1200.99	1207.24	1210.43	1207.48
22 Brewers and Distillers (22)	1389.02	.....	10.05	3.79	12.28	6.57	1389.65	1389.23	1398.07	1364.69
25 Food Manufacturing (20)	1062.39	+0.4	10.21	4.35	12.19	4.74	1058.07	1066.77	1053.65	1056.82
26 Food Retailing (16)	2217.15	+0.1	9.13	3.42	14.22	7.09	2215.11	2239.90	2259.13	2032.00
27 Health and Household (13)	2437.28	+1.0	6.58	2.70	18.05	2.48	2413.88	2410.16	2396.82	2195.38
29 Leisure (31)	1425.44	-0.3	9.92	4.25	12.44	6.20	1429.23	1449.36	1463.29	1659.07
31 Packaging & Paper (13)	557.10	+0.4	12.61	5.63	10.02	1.44	554.65	553.31	552.92	600.96
32 Publishing & Printing (16)	3227.11	-0.4	10.00	5.43	12.78	21.87	3240.52	3259.17	3276.45	3814.99
34 Stores (33)	742.72	-0.5	11.68	5.04	11.14	1.78	746.33	753.85	766.25	789.32
35 Textiles (13)	495.25	-0.2	12.01	6.05	10.04	0.37	496.31	496.82	496.39	531.76
40 OTHER GROUPS (103)	1140.47	+0.5	10.89	4.96	11.01	4.44	1135.28	1141.03	1146.44	1104.67
41 Agencies (17)	1558.20	+0.8	5.78	2.40	21.31	9.20	1546.22	1538.00	1535.91	1329.87
42 Chemicals (22)	1188.53	+1.5	12.12	5.57	9.70	20.57	1171.25	1195.04	1190.16	1217.03
43 Conglomerates (13)	1601.58	+0.3	10.16	6.12	11.59	5.64	1596.70	1596.84	1611.77	1547.26
44 Transport (13)	2202.22	.....	11.06	4.36	11.51	2.88	2201.12	2210.32	2206.74	2454.48
46 Telephone Networks (2)	1137.59	+0.3	11.16	4.51	11.65	0.00	1133.67	1137.78	1153.78	1178.89
47 Water (10)	1957.49	+1.3	17.80	6.92	6.22	0.00	1932.86	1944.36	1972.20	0.00
48 Miscellaneous (26)	1848.25	-0.3	9.81	4.46	11.51	1.16	1853.51	1861.55	1857.18	1537.15
49 INDUSTRIAL GROUP (482)	1108.60	+0.2	10.93	4.57	11.18	4.00	1106.49	1111.36	1115.50	1140.64
51 Oil & Gas (18)	2323.18	-0.2	10.46	5.19	12.63	32.88	2327.30	2333.17	2367.55	1964.18
59 500 SHARE INDEX (500)	1209.39	+0.1	10.86	4.66	11.37	6.22	1207.74	1212.72	1219.18	1211.20
61 FINANCIAL GROUP (114)	784.20	-0.3	–	5.69	–	9.98	786.58	794.00	799.42	762.90
62 Banks (9)	853.89	-0.4	19.70	6.43	6.64	22.40	857.54	867.40	872.26	755.51
65 Insurance (Life) (7)	1272.79	-0.5	–	5.22	–	0.00	1279.14	1281.11	1301.66	1082.94
66 Insurance (Composite) (7)	642.89	-0.7	–	6.18	–	4.25	647.65	654.73	661.98	600.95
67 Insurance (Brokers) (6)	1047.25	.....	7.04	6.02	18.91	15.51	1047.40	1066.87	1064.78	994.99
68 Merchant Banks (8)	468.98	+0.6	–	3.84	–	0.83	466.28	470.31	471.64	348.86
69 Property (49)	1071.97	.....	8.47	4.04	14.94	1.56	1072.31	1084.06	1090.82	1352.49
70 Other Financial (28)	316.15	+0.4	13.72	6.73	9.62	2.37	314.79	314.21	312.74	389.88
71 Investment Trusts (68)	1150.69	+0.2	–	3.28	–	6.56	1148.75	1151.74	1150.94	1117.05
91 Overseas Traders (5)	1363.97	+0.3	9.46	6.70	12.78	30.79	1359.46	1364.80	1358.41	1403.48
99 ALL-SHARE INDEX (687)	1106.27	+0.1	–	4.79	–	7.10	1105.46	1110.85	1116.74	1101.68

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Mar 12	Mar 9	Mar 8	Mar 7	Mar 6	Year ago
FT-SE 100 SHARE INDEX♦	2224.5	+1.7	2224.8	2213.4	2222.8	2234.3	2250.0	2230.3	2216.0	2125.4

FIXED INTEREST

PRICE INDICES	Tue Mar 13	Day's change %	Mon Mar 12	xd adj. today	xd adj. 1990 to date
British Government					
1 Up to 5 years	112.77	-0.17	112.96	–	2.57
2 5-15 years	117.73	-0.26	118.03	–	2.41
3 Over 15 years	120.10	-0.24	120.39	–	4.16
4 Irredeemables	138.90	-0.25	139.24	–	1.51
5 All stocks	117.94	-0.22	118.20	–	2.73
Index-Linked					
6 Up to 5 years	139.66	-0.01	139.67	–	0.94
7 Over 5 years	132.29	+0.16	132.08	–	1.05
8 All stocks	132.73	+0.14	132.54	–	1.04
9 Debentures & Loans	96.68	-1.81	98.46	–	2.35
10 Preference	76.81	-0.03	76.84	–	1.49

AVERAGE GROSS REDEMPTION YIELDS		Tue Mar 13	Mon Mar 12	Year ago (approx.)
British Government				
1 Low	5 years	11.60	11.58	9.23
2 Coupons	15 years	11.29	11.25	8.94
3	25 years	11.18	11.14	8.80
4 Medium	5 years	13.00	12.89	10.36
5 Coupons	15 years	11.73	11.71	9.39
6	25 years	11.29	11.28	8.96
7 High	5 years	13.10	12.99	10.48
8 Coupons	15 years	12.02	12.00	9.62
9	25 years	11.52	11.51	9.15
10 Irredeemables†		11.17	11.14	8.70
Index-Linked				
11 Inflation rate 5%	Up to 5yrs.	4.72	4.71	3.29
12 Inflation rate 5%	Over 5 yrs.	4.11	4.12	3.44
13 Inflation rate 10%	Up to 5 yrs.	3.82	3.80	2.46
14 Inflation rate 10%	Over 5 yrs.	3.94	3.95	3.28
15 Debs &	5 years	15.77	13.93	12.08
16 Loans	15 years	14.13	13.21	11.31
17	25 years	13.39	13.20	10.73
18 Preference†		12.01	12.00	10.05

♦Opening index 2224.1; 10 am 2214.1; 11 am 2222.1; Noon 2220.7; 1 pm 2219.6; 2 pm 2220.0; 3 pm 2218.6; 3.30 pm 2221.1; 4 pm 2223.7 (a) 3.48pm (b) 9.46am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 35p.
CONSTITUENT CHANGES: ABB Kent Holdings (5) has been deleted and replaced by Victaulic (7).

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	15	73	9
Corporations, Dominion and Foreign Bonds	0	8	18
Industrials	270	384	938
Financial and Properties	123	177	405
Oils	31	23	37
Plantations	2	2	6
Mines	36	51	71
Others	97	64	99
Totals	574	782	1,583

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. q Earnings based on preliminary figures. s Dividend and yield exclude special payment. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990-92. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1990. N Dividend and yield based on prospectus or other official estimates for 1989/90. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ψ Issued by tender. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. ¶¶ Reintroduction. ♣ Unlisted securities market. * Third Market.

TRADITIONAL OPTIONS

- First Dealings March 5
- Last Dealings March 16
- Last Declarations June 7
- For settlement June 18

For rate indications see end of London Share Service

Calls in Gaelic Res., Blacks Leis., Conroy Pet. & Nat. Res., Coturwell, Butte Mining, Control Sec. and Tusker Res. Put in Aufco. of Distinction.

LONDON TRADED OPTIONS

Trusthouse Forte was busy yesterday with calls and puts sold, as its shares fell back after a broker lowered its profit estimate for the current financial year. Elsewhere, turnover was low as the stockmarket remained thinly traded, though the futures market was boosted by the rolling of positions from March into June.

A total of 3,213 Trusthouse contracts changed hands, more than double that of the previous session, and equivalent to 3.2m shares. Yesterday's total was divided between 1,762 calls and 1,451 puts. The September 260 calls were the busiest, trading 1,203. On the stockmarket, Trusthouse slipped 3 to 249p, trading 2.9m shares.

Turnover was boosted by the sale of 1,000 September 260 calls at 16p and the sale of 1,000 June 260 puts at 19p. The March 260 puts were sold a total of 250 times at 13p, while the June 260 calls were bought 250 times for 9p.

The rest of the options market reflected the lower level of share dealing activity. The approach of the UK budget and worries over the economic outlook continued to deter investors from taking positions.

Total market turnover amounted to 22,205 lots, compared with 21,313 on the previous session. Yesterday's total was divided up between 11,123 calls and 11,082 puts.

The FT-SE 100 Index option was the busiest, trading 6,375 contracts, of which 2,472 were calls and 3,903 were puts. The March 2,300 call series was the busiest, trading 1,440. Turnover on the futures market was brisker, though this was due to investors rolling over March contracts into June. The market closed at a 2½ point premium over the underlying index, little changed from Monday's closing levels. The March contract closed 1 point higher at 2,226, having traded 4,515 lots. June traded 1,055.

Aside from Trusthouse, Hanson was busy, as it traded 1,657 lots, of which 787 were calls and 870 were puts. Of the other larger trades, 500 Ferranti May 45 calls were sold, and 250 Cable and Wireless April 550 calls were sold.

Option		Calls Apr	Calls Jul	Calls Oct	Puts Apr	Puts Jul	Puts Oct
Alld Lyons (*432)	420	26	36	50	9	18	25
	460	8	17	30	32	40	45
	500	2½	7	17	72	73	73
ASDA (*109)	100	13	18	20	2½	4	7
	110	5½	13	15	6	8	11
Brit. Airways (*199)	180	26	27	35	2	5	7½
	200	9½	14	23	8	13	15
	220	2½	8	15	23	26	28

Option		Calls Apr	Calls Jul	Calls Oct	Puts Apr	Puts Jul	Puts Oct
Ultramar (*365)	360	20	35	47	11	17	23
	390	7	23	32	30	35	38

Option		Calls May	Calls Aug	Calls Nov	Puts May	Puts Aug	Puts Nov
Brit Aero (*486)	460	40	57	69	18	27	33
	500	18	36	50	42	47	52
BAA (*387)	360	42	48	65	5½	11	14
	390	22	31	43	16	20	27

Option		Calls Mar	Calls Jun	Calls Sep	Puts Mar	Puts Jun	Puts Sep
Amstrad (*54)	50	5	10	14	1½	4	6
	60	1	5	8½	7	10	12
Barclays (*566)	550	19	52	63	4	14	27
	600	2	20	35	38	37	52
Blue Circle (*220)	220	5	14	22	5	16	16
	240	–	6	12	–	30	31
British Gas (*214)	200	15	23	26	1½	4	6
	220	1½	11	14	7½	11	15

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UK COMPANY NEWS

Housebuilder warns of another tough year ahead with lower UK sales and margins

George Wimpey slips 7% to £134.7m

By Andrew Taylor, Construction Correspondent

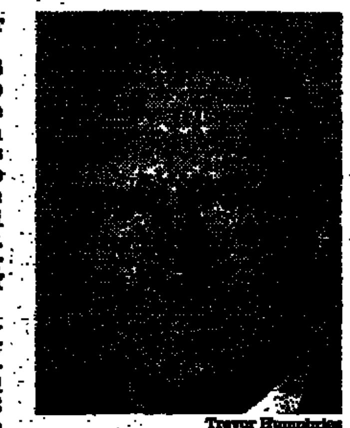
UK housebuilding profits of George Wimpey, Britain's second largest housebuilder, were last year cut by 30 per cent, Sir Clifford Chetwood, chairman and chief executive, announced yesterday.

Wimpey is the the first of the large UK housebuilders to announce profits for 1989. Overall, pre-tax profits fell by 7 per cent from £144.5m to £134.7m. Turnover increased from £1.73bn to £2.07bn.

Sir Clifford who has consistently attacked the Government's policy of using high interest rates to combat inflation, warned that Wimpey would face another tough year with the group's UK house sales and margins expected to decrease further following the recent rise in building society mortgage rates to more than 15 per cent.

Earnings per share fell 8 per cent from 32.8p to 30.1p after an 83 per cent increase in interest charges from £21m to £38.4m. Net borrowings have risen from £233.2m to £382.2m to finance the group's increased commercial development programme. This represented just over half shareholders funds of £731.8m.

Sir Clifford said group profits would have fallen further last year but for strong performances from domestic and international contracting, US housebuilding and from the UK aggregate and commercial property businesses. Wimpey also benefited from the first full year of profits from its US aggregates business.



Trevor Humphries

Sir Clifford Chetwood: 7,100 homes completed in the UK

Commercial property profits, following the sale of the group's large office development at Crutched Friars, central London, rose to £13.2m compared with £600,000 in 1988.

Wimpey which is vying to become the first large UK contractor to win work in Iran following the end of the war with Iraq, finished last year with a record £1.2bn order book – enough work, it said, to take it comfortably into 1991.

Wimpey is part of two consortia chosen by the Iranian and Algerian governments to finance and develop aluminium smelters, each worth about £600m. It is also part of an Anglo-French joint venture bidding to build a a C$1bn oil platform off the coast of Newfoundland.

Sales of houses by the group in the US, where Wimpey is particularly strong in California, rose by 27 per cent. There is a sizeable enclave of UK housebuilders presently in California with Barratt, Taylor Woodrow, Costain and Laing also investing in the state. All are due to report results shortly.

Sir Clifford said the group completed 7,100 homes in the UK last year – a fall of 22 per cent. *This year the* group expected to complete about 6,000 homes. He warned that margins would decline as a result of sales incentive schemes including cut price mortgages.

A recommended final dividend of 6.5p (6.25p) makes a total of 10.5p (9.25p) for the year.

Rank moves into Hollywood film processing for $150m

By Nikki Tait

RANK ORGANISATION, the leisure and entertainments group, yesterday announced plans to acquire film processing capacity in Hollywood with the purchase of the Deluxe motion picture film processing laboratory from Fox, for $150m (£94m) cash.

Rank already has film processing capacity in the UK and a 49 per cent stake in Film House Group, a leading Canadian film processing laboratory.

However, this transaction, which is still subject to the applicable waiting period under the Hart-Scott-Rodino anti-trust act, gives it facilities in Hollywood for the first time.

Rank declined to give further financial details on its acquisition, but confirmed that the deal would not lead to earnings dilution. On the basis of historical figures it "certainly does not do so".

The laboratory, substantially larger than Rank's UK operations, is based on a five-acre freehold site in north Hollywood, where it employs 400 people.

Its single largest customer is Fox itself, but it also works for Orion, MGM/United Artists, and Universal Studios.

Rank said yesterday that those relationships comprised a mixture of long-term contracts and more informal understandings.

However, the UK group confirmed that a long-term contract with Fox would form part of the purchase contract.

Mr James Daly, managing director of Rank's Film and Television Services division, added that he believed the problem of processing for studios which were also competitors was a major reason for the Fox sale.

The principal competitor, Technicolor, has no such conflict – and Rank itself is spared the problem.

Earlier this year, Rank accompanied its 1988-89 results with a £357.4m rights issue. The money raised, it said, would be used for acquisitions and other developments in the leisure market.

Further setback at Sale Tilney

PROFITS of Sale Tilney, the food, technology, insurance and financial services group, fell from a depressed £5.86m to £5.02m pre-tax for the year to end-November 1989.

The food division swung from profits of £1.08m to losses *of £577,000* with trading at Peabody Foods deteriorating sharply in the final quarter.

The directors said widespread destocking by customers had led to substantially lower sales during the pre-Christmas period, which normally accounted for an important part of Peabody's annual turnover.

The position had been worsened by two specific problems – a fall in the realised value of stocks acquired earlier in the year, and higher-than-anticipated costs associated *with the resiting of the* warehousing and distribution operations.

It was pointed out that these difficulties were compounded by rising interest rates coupled with falling prices in many products.

Steps have been taken to reduce the workforce and reorganise the administration of Peabody Foods.

Elsewhere, the technology division had a good year with current order books described as satisfactory, insurance broking companies returned much-improved trading profits and *the financial services division* again did well

Turnover for 1988-89 rose from a restated £84.68m to £130.78m and basic earnings worked through at 11.8p (13.4p).

A proposed same-again final dividend of 6p makes an 11p (10.5p) total.

StanChart drives too fast

By David Lascelles, Banking Editor

THE LATEST of Standard Chartered's many problems - its potential $80m loss at MiniScribe - seems to be a classic instance of the perils of pursuing foreign business too aggressively.

The bank's relationship with the Colorado disk drive manufacturer dates back to September 1988 when it was appointed lead bank in succession to Bank of America.

At the time, Standard was in the process of pulling out of the US market by selling its subsidiaries in California and Arizona.

But it was still keen to win US corporate clients.

MiniScribe had been through a bad loss-making patch, and was trying hard to get back on to the road to recovery.

In particular, it needed a bank that could finance it both in the US, and in the Far East where it had manufacturing operations in Hong Kong and Singapore.

Bank of America, until then its lead bank, was willing to finance domestic operations but not foreign.

Standard was thus well *placed to win the business*, specially given its strong presence in the Far East where it is widely represented.

An account officer from Hong Kong flew over to Colorado and made an attractive offer.

Mr QT Wiles, MiniScribe's chairman at the time, said in an interview with the American Banker: "Standard moved so fast that no one else came close."

Standard agreed to provide a $70m revolving line of credit and a $20m general banking facility, both priced at half a point above the prime rate.

This was substantially more than the $35m line of credit MiniScribe had previously had from Bank of America, and in light of what subsequently happened, a surprisingly large sum.

MiniScribe made full use of Standard's facilities, judging by the total $110m exposure which the bank now has to the company.

But MiniScribe's fortunes never fully recovered. Last *September it reported that it* had been the victim of an fraud; documents had been forged, it alleged, and various practices such as shipping bricks instead of genuine equipment had been used to boost sales figures.

The company subsequently restated its 1986 and 1987 earnings to show much smaller profits. Then it reported a loss of $116m for the first nine months of 1989, compared to a loss of $109.5m.

At the beginning of this year, MiniScribe sought the protection of the bankruptcy laws and there were hopes that it could be sold to new investors.

That is why Standard Chartered made no mention of the problem in its January warning that 1989 profits would be down.

But a spokesman said yesterday that the sale negotiations had proved more difficult than expected, and there was no certainty about when they would be concluded.

Palma incurs £0.25m loss as range fails

By Jane Fuller

A DISAPPOINTING response to last year's clothing range at Clothkits contributed to a pre-tax loss of £246,000 at Palma Group, compared with a £8.17m profit in 1988.

While turnover rose from £28.02m to £31.98m, the 1989 figure included £4m from the sale of an office development – a former Clothkits property – in Lewes, Sussex. The profit from this transaction was £1.5m.

An operating profit of £461,000 was pushed into deficit by interest payments of £707,000 (£363,000). Gearing rose to 40 per cent.

Clothkits produces and sells, through its own shops and by mail order, clothes for adults and children. Mr Peter Bailey, chairman, said *the 1989 ranges had proved* unacceptable to customers and finally products had been "reduced to clear", incurring a substantial loss.

Pex, the hosiery business, had lost sales during the hot summer and profit had been below budget.

One-off expenses had included £820,000 to redeem Pex preference shares and *£250,000* to acquire the minority interest in Clothkits.

So far this year, he said all the companies were meeting their *budgets*, although the economic climate remained difficult because of the squeeze on UK consumer spending, especially in the south-east where Clothkits had most of its shops.

The loss per share was *0.83p (earnings of 11.06p)*. A recommended final dividend of 2.5p makes a total of 3.7p, the same as last time.

The shares closed down 1p at 36p.

Simon calls for £46m as profits rise 19%

By Andrew Hill

SIMON Engineering, the *equipment, services and manufacturing* group, is to ask shareholders for £46.4m net, through a one-for-four rights issue, to fund further expansion.

The group, which is pushing itself as a "green" stock because of its interests in pollution control and treatment, also announced a 19 per cent increase in pre-tax profits to £38.6m in 1989. That compared *with the 1988 figure of £32.4m.*

Simon is offering the new *shares at 285p each, against* yesterday's closing price of 341p, down 14p.

The discounted rights issue should mean that borrowings – which represented about 30 per cent of shareholders' funds at the year-end – will come down to 20 or 25 per cent by the end of 1990, despite a continuing acquisition programme.

Mr Roy Roberts, the group's *chairman, pointed out that* more than £75m had been *spent on acquisitions over the* last two years of which £10.5m was funded by the issue of shares and about £35m by the proceeds of disposals.

In 1989 about £18m was spent on acquisitions – less than in the previous year – which contributed about 13 per cent of profits before tax and interest.

Group turnover in 1989 rose nearly 13 per cent to £667m, *while earnings per share* increased from 32.8p to 38.4p. A final dividend of 11p is declared, making 15.5p (13.5p) for the year.

Profits were held back by the increased interest charge – up from £1.84m to £4.77m. Growth in margins was also hampered because of a trough in the continuing cash flow from Simon's large contract to build a factory in Yerevan in the Soviet Union.

As a result engineering contracting profits increased to just £10.1m (£6.79m), although *sales were up to* £218m (£88.1m). The manufacturing division – which makes Simon's access and fire-fighting platforms, as well as waste and water equipment – made £19.4m (£13.9m) on turnover of £247m (£181m) and industrial services contributed £10.4m (£8.44m) on sales of £72.3m (£61.6m).

Commenting on the group's share price – which was hit by *the general downturn in the* UK engineering sector – Mr Brian Kemp, chief executive said: "We are not that dependent on the UK – we only make 23 per cent of our sales here and our UK business has a very high export content."

An extraordinary charge of £4.39m represented provisions for the running down of Simon's Hong Kong engineering subsidiary and the value of land exploration equipment written off by the group.

Robinson Bros at £2.32m

ROBINSON Brothers (Ryders Green), the West Midlands-based maker of organic chemicals, lifted pre-tax profits by 25 per cent to £2.32m in 1989, against £1.86m previously.

A final dividend of 9p (11p) is proposed for a 16p (18p) total.

The company's shares are not listed.

Turnover rose to £23.06m (£20.73m). The profit sharing provision was £67,000 (£72,000) and tax took £816,000 (£639,000).

Last time there was an extraordinary £107,000 charge.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Beazer, IFICO, Merivale Moore, Pochins.

Finals- Abbott Mead Vickers, Allied Insurance Brokers, American Trust, BTR, British Aerospace, Christies International, Clarke Nickolls & Coombs, Fired Earth Tiles, Highlands & Lowlands, Hillsdown Holdings, Kleinwort Smaller Companies Investment Trust, Lambert Howarth, North Midland Construction, Swedish Celluloid, T&N, Trade Indemnity, Wickes.

FUTURE DATES

Interims-

AB Electronics	Apr. 3
Benson Group	Mar. 16
Lloyd Thompson	Mar. 26
Melville	Mar. 29
Molyneux Estates	Mar. 29
UDO	Apr. 5
Finals-	
BPP	Mar. 26
Clifford Foods	Mar. 27
Dauphin	Mar. 29
Edinburgh Oil & Gas	Mar. 19
Edmond	Mar. 27
Ferrum	Mar. 20
Harrisons & Crosfield	Apr. 4
Hornby	Mar. 16
Molins	Mar. 22
Pacific Assets Trust	Mar. 23
Polly Peck International	Mar. 29
Portmeirion Potteries	Mar. 29
RPS	Mar. 19
Technology Project Servs	Mar. 26
Tyndall Holdings	Mar. 22
Wassall	Mar. 19

COMPANY NEWS IN BRIEF

ROSS GROUP has acquired GA Kirkham, a manufacturer of timber pallets, from the receiver for £300,000.

STORMGARD is proposing to consolidate its existing 10p shares into units of £1 via a one-for-ten consolidation.

TAVERN LEISURE: Millwall owns or has received valid acceptances in respect of 20.99m Tavern shares (81.25 per cent). The offer has been declared unconditional as to acceptances and has been extended until March 20.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Attwoods ....int	3.25†	Aug 1	2.5	-	8
BM Group ....int	1.2†	May 11	0.8*	-	2*
Candover Invs ....fin	5	-	3.33*	7	4.5*
Community Hosps ....int	1.9♠	May	-	-	-
Doeflex ....fin	2.7	May 19	2.35	4	3.5
Everest Foods § ....int	2	May 7	2	-	5.5
Glynwed ....fin	7.5	July 5	6.25	11.65	9.7
Kalon ....fin	0.8	May 4	0.7	1.2	1
Lancaster ....fin	3	May 22	2.7	4.5	4
Logica ....int	1.1	-	1	-	3.1
Palma ....fin	2.5	July 1	2.5	3.7	3.7
Plaxton ....fin	5.5†	-	3.1	8.5	6.2‡
Robinson Bros ....fin	9	-	11	16	18
Sale Tilney ....fin	6	Apr 30	6	11	10.5
Secure Trust ....fin	6	June 1	0.59	8.5	0.59
Simon Engineer ....fin	11♥	July 2	10	15.5	13.5
Tay Homes ....int	1.2	May 5	1	-	4
Wimpey (George) ....fin	6.5	-	6.25	10.5	9.25

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ΦThird market. ‡For fifteen months. ♥Scrip alternative. ♠Maiden interim.

UK COMPANY NEWS

Developing the group on its strengths

Ian Hamilton Fazey reports on the restructuring of Simon Engineering

WHEN Mr Philip Ling's Valuedale group attempted a management buy-in at Simon Engineering in 1986, the old-established Stockport-based company escaped – but only because a full takeover, which would have been more tempting to institutional shareholders, had not been launched.

According to Mr Keith Ashworth-Lord, head of research at Henry Cooke, the Manchester stockbroker, Simon at the time was "a complete ragbag" of businesses. "It was in six divisions, with no cross-fertilisation between them, little synergy and no central focus," he says.

"It had a tired management that was resistant to change. Had they been on the receiving end of a proper bid, they would have gone under the hammer. Fortunately for Simon, no-one took Valuedale seriously enough.

"But the event concentrated minds and, to their credit, the management realised they were in trouble. They embarked upon an orderly transition at the top. We are seeing the fruits of that now," Mr Ashworth-Lord adds.

Yesterday Simon posted 1989 profits before tax of £38.6m and earnings per share of 38.4p. So has Simon sorted itself out in the past few years?

The beginnings of a recovery were clear in 1988, when profits rose to £32.4m and earnings per share to 32.8p. This followed a slump to £23.5m and 24.4p in 1987 as Simon came to terms with its close shave and started reorganising.

That was the year that Mr Roy Roberts of Dowty, and president of the Institution of Mechanical Engineers, took over as non-executive chairman from Mr Harry Harrison, whose influence, according to Mr Ashworth-Lord, had long been "patriarchal."

Another newcomer was Mr Brian Kemp, who joined from Parkfield to run Simon's manufacturing division. He soon became deputy to Mr Tim Leader, who had been chief executive since 1985 and was starting the restructuring process.

Mr Kemp, a 46-year-old mechanical engineer with a first from Loughborough University of Technology and a masters in business administration from Stanford – where he was in the top 5 per cent of his class – is now in charge.

The real measure of change, however, is to be found in the top tier of 50 senior managers, 30 of whom have joined since Mr Kemp. Most were head-hunted with engineering qualifications a prime requirement.

Another such wholesale recruitment drive is not anticipated. The group is building on a long tradition for good training by offering management development programmes which carry exemptions towards a Sheffield University MBA. It intends to grow its team from within, grafting general management skills onto engineers.

"Very many of our senior managers are engineers," Mr Kemp says. "It is slightly unusual for a UK company but is very much the norm in Germany or Japan."

The group they are running bears little resemblance to the Simon of four years ago. Then, Simon was a broad mixture of mature engineering businesses, some in expanding markets, but all sitting uneasily with companies trading in oil and chemicals.

The strategy has been to dump any business not capable of growing in worldwide markets or which the group was not running particularly well. Thus Simon has pulled out of food engineering, where it made poor profits, if at all, and alsogeneral mechanical and electrical contracting.

The number of staff is down from 10,000 to 7,500, of whom nearly half are abroad, mainly in the US or Canada. Simon is concentrating instead on its strengths, such as large-scale,

Mike Arron

Brian Kemp: we are not that dependent on the UK

bespoke construction of chemical plant and electronics factories. It is building one of the latter for the Soviet Government in Yerevan and expects to do well long term out of the restructuring of the Soviet economy.

It also spotted a lucrative specialist niche in access platforms, such as those used to lift workers high enough to repair street lights, or carry TV cameramen to giddy heights above golf courses, or put firefighters 60 metres above the ground to douse fires.

Here expansion has been rapid, with acquisitions in the UK, US, Australia and Ireland to turn the company into the leading international supplier in the field. Simon's sales in this sector in 1980 were £14m. Last year they were £153m.

Paper engineering is another developing core. Simon had a long association as suppliers of equipment and its electronics engineers have won a good reputation for automating many processes. But the big leap forward has been the acquisition of Holder Pamac at Bury.

Mr Kemp says: "They are extremely competent paper engineers but their capability was limited by their being a private company. They could see the need to join a bigger group giving them access to funds, the rest of the world, and experienced project management."

The growth of concern about the environment is generally seen as a great opportunity. Solving environmental problems requires an eclectic approach to plant design and operation, pulling expertise from many different technologies and specialities, from mechanical, structural and chemical engineering to state-of-the-art telemetering and electronics for automated systems.

Simon's engineering base covers the whole portfolio. The idea is to use the developing group management style to pull out skills where needed and channel them into the developing markets.

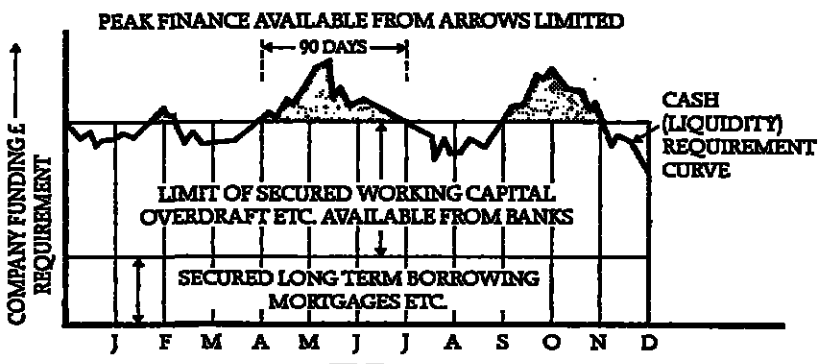
Since the old management did the business the ultimate service by bowing out gracefully and ensuring an orderly transition, Mr Kemp is reluctant to criticise, but he recognises there is a lesson to pass on to others.

He also recognises the need to demonstrate improvements that will keep shareholders like M&G, Prudential Assurance and Norwich Union taking a long view – in 1986, when the fight was on against Valuedale, a tour of the City showed that 26 out of 27 institutional shareholders had never met anyone from the company.

He says: "The earlier management appreciated opportunities but did not put in the infrastructure to exploit them. Simon was operated as a flat organisation, with considerable autonomy for companies in the field. This was healthy in one sense but there was an absence of direction.

"To focus policy, the main board is down to eight, and all businesses in the group have to work to rolling three-year plans. It works because each plan is scrutinised by a supervisory board a couple of times a year to make sure it is still realistic and attainable."

Mr Ashworth-Lord says: "This was a sleepy company which has woken up. I can see a good two years of growth ahead."



UK COMPANY NEWS

UK downturn fails to halt BM

By Jane Fuller

BM GROUP, the maker and distributor of construction and other industrial equipment, has continued its growth with a 37 per cent advance in pre-tax profit to £9.43m for the six months to December 31.

In spite of a trebling of net interest payments to £1.37m (£421,000), pre-tax profit growth easily outstripped the pace of increase in turnover, which reached £96.39m (£81.03m).

Mr Roger Shute, chairman, put the improved margins down to tight financial control and higher sales volumes benefiting unit prices.

In construction equipment, which will provide about £140m of this year's expected £240m turnover, he said a breakthrough had been made with the acquisition in Australia last March of Anstoft, a maker of sugar cane cutting equipment and skid steer loaders, which brought with it a 200-strong Mustang dealership network in the US, plus 50 outlets elsewhere. Machines, such as dumpers and concrete mixers, were sold under either the Mustang or Benford badge.

BM already has a link with Japan as the UK importer of Hitachi excavators. This year Benford dumpers are being sold into Japan through an agreement with Mitsubishi.

In Continental Europe, where the group has a French subsidiary, a new distributor in Spain was performing well, said Mr Shute.

Last year only 13 per cent of the overall business lay overseas, this year he said it was heading for 30 per cent and the 1991 target was 50 per cent.

In the UK, sales of equipment to house builders had slowed, but that was only a small part of BM's operations. Without house building, the sector's growth was expected to be 3 to 5 per cent over the next 12 months.

BM's other two divisions, building products and technology, make a roughly equal contribution to sales. Technology, which ranges from scaffolding to paper-converting machines, showed a 45 per cent profit increase.

Mr Shute said the group's gearing would be 10 per cent by June without further acquisitions — nothing major was planned at the moment.

The latest purchase — Kass in November — is expected to contribute about £1m profit this year.

Diluted earnings per share were 8.8p (6.5p) and the interim dividend goes up to 1.2p (0.8p).

For the full year, pre-tax profit is expected to be £23.5m, giving a prospective multiple of 10.5.

US paints a gloomy picture for Logica

By Alan Cane

THE LURE of the oil paint has finally proved too great for Mr Philip Hughes, chairman and co-founder of Logica, one of the UK's leading computing services companies.

He announced yesterday that he intends to step down after the company's annual meeting in November this year to pursue a second full-time, career as a painter.

Logica's interim results, reported yesterday, did not make the happiest backdrop for Mr Hughes' farewell announcement.

While the company seems to have performed well in the UK and Europe generally, the downturn in the US computer industry resulted in revenues there falling 4 per cent and a small loss.

Pre-tax profits for the six months to end-December, were £6.02m, a fall of 19 per cent from the £7.44m recorded in the corresponding period of 1988.

Consolidated turnover rose 16 per cent to £87.4m. The figures excluded £3.94m (£3.42m) derived from Logica's partly-owned Italian operation.

Earnings per share dipped 22 per cent to 6.2p and the interim dividend is raised 10 per cent to 1.1p.

However, Logica remains interesting as one of the last independent computing services companies of any size and therefore a desireable target in the process of consolidation that is expected to result in the survival of only a handful of large, integrated companies by the mid-1990s.

Philip Hughes: results did not make the happiest backdrop — Trevor Humphries

Mr Hughes will be replaced as chairman by Mr Paul Bosonnet, deputy chairman of the BOC group and a non-executive director of British Telecom, who has been on Logica's board since 1986.

Since the formation of Logica in the 1960s, Mr Hughes has painted as a highly profitable diversion, but now he feels he wants to build his reputation internationally. A regular exhibitor in London galleries, he wants to see his work shown in Paris and Sydney.

He implied yesterday that exchanging images on computer video screens for images on canvas would not prove too great a wrench. "I've worked in the same industry and in the same streets for 30 years. I'm approaching 55 and now is the time to change if I'm not to leave it too late for a second career".

Logica, nevertheless, will not seem the same without Mr Hughes whose personality is stamped all over the company from its distinctive black and yellow logo to its annual reports.

Logica said the chief cause of the decline in profitability was tough conditions in the US market where two major contracts, one with the New York Life Assurance Company, the other the San Francisco Bay Area Rapid Transport (BART) system were coming to an end.

The work on BART closed early amid some acrimony. Another US project, which Logica refused to identify, also contributed to the US losses.

The company said that steps had been taken to improve the cost base in the US. It expects to make a profit in the US in the second half of the year and across the year as whole.

Elsewhere the company grew about 22 per cent in line with industry growth and performed particularly well in the Netherlands.

Candover surges 40% to £2.98m

NONE OF the gloom which has descended on the management buy-out sector in recent months was evident at yesterday's announcement of sharply higher results from Candover Investments, Britain's sole publicly-quoted investment trust specialisting in buy-outs, writes Charles Batchelor.

The company not only avoided making any significant investments in the highly-leveraged retail sector buy-outs which have had to be refinanced, but expects an increase in buy-out opportunities from the economic downturn. Companies which are facing cash-flow pressures as a result of higher interest rates will be keener than ever to dispose of non-core activities, said Mr Roger Brooke, chief executive.

Pre-tax profits rose 40 per cent to £2.98m in the year ended December 31 while fully-dilnted earnings per share rose from 6.57p to 8.75p.

Net assets increased by 43 per cent from £34.68m to £49.69m comprising about £21m in cash, £7m worth of listed investments and £22m of unlisted investments. Net assets per share rose 41 per cent from an adjusted 159p to 224p.

A final dividend of 5p makes a 7p (4.5p) total. The company's shares closed 20p higher at 228p.

Acquisitive Plaxton soars to £8.7m

Plaxton reported record results for 1989, a year in which it made a number of *acquisitions including Henlys*, the motor dealer chain, which more than doubled the size of the group. Mr David Matthews, chairman, said there was still a long way to go to fulfil the company's potential.

Pre-tax profits were £8.72m, almost double the £4.75m of the previous 15 months. Turnover was £362.52m (£244.13m).

During the year the company acquired Duple Services for £4m and Arlington Coach as well as paying £47.8m for Henlys.

The major profit contribution came from the manufacture and distribution of coaches and buses with £5.1m (£2.22m) on turnover of £118m (£94.16m).

Including the Henlys acquisition the motor division reported turnover of £258.65m (£160.04m) for profits of £3.16m (£1.87m). It traded satisfactorily in spite of market conditions created by high interest rates. Profits fell from £665,000 to £459,000 at Roadlease, the contract hire and leasing division on lower turnover of £2.98m (£4.44m).

Net interest paid was higher at £4.23m (£2.3m) but gearing at the year end had been reduced from 44 per cent to 37.6 per cent.

Earnings came to 20.1p (14.7p) and a final dividend of 5.5p makes a total of 8.5p (6.2p for 15 months).

HongkongBank

The Hongkong and Shanghai Banking Corporation Limited

Incorporated in Hong Kong with limited liability

Results for 1989

The Directors announce that the profit for the year ended 31 December 1989 attributable to the shareholders of the Bank was HK$4,774 million (1988: HK$4,300 million), an increase of 11.0 *per cent*. The profit was arrived at after providing for taxation and after making transfers to inner reserves.

World economic growth advanced at a slower pace in 1989. The slow down became more evident during the second half. Rising inflationary pressures in the developed countries and reduced import demand, notably in the United States, fed through into lower growth rates in most of the Asian economies.

The Group's major banking operations in Asia reported continued profit growth. In Hong Kong, despite a marked slow down in the economy, loan demand remained buoyant and the performance of the banking sector was encouraging. Elsewhere however results were mixed, and in some areas disappointing. In Australia, where the corporate sector has been adversely affected by a downturn in the economy and sustained high interest rates, HongkongBank of Australia reported a significant loss. And in the United States, although Marine Midland reported a profit, it was well below expectations. Both these subsidiaries, and the Bank's own commercial banking operations in the United States and the United Kingdom, have deemed it prudent to make conservative provisions against specific parts of their loan portfolios. These provisions have of course affected the reported result.

This picture was relieved by improved performance elsewhere. The British Bank of the Middle East, helped by a strong recovery by The Saudi British Bank, reported the best results in its history in its centenary year. Hongkong Bank of Canada reported another excellent result.

The performance of the Group's capital markets businesses also improved in 1989. The Wardley Group again had a successful year and reported a further increase in profit. The James Capel Group recovered strongly from the previous year's loss to make a modest profit in 1989, and CM & M reported a significantly reduced loss.

We continue to develop our relationship with the Midland Group and to discuss the form and nature of a closer business association between the two Groups. These are preliminary discussions and a further statement will follow if appropriate.

In November an independent professional valuation of properties held by the Bank and its wholly owned subsidiaries was carried out. Hang Seng Bank, the Bank's 61.48 *per cent* owned subsidiary, carried out a similar valuation in 1989. The surplus of HK$13,786 million resulting from these valuations has been credited to published reserves. These moves, which bring into the open a part of the Group's hidden reserves, have led to a further strengthening of the Group's capital base.

The Directors propose the payment of a final dividend of 28 cents per share on 8 May 1990 to shareholders whose names are on the Register of Shareholders on 2 May 1990. Together with the interim distribution of HK$812 million already paid the total distribution for 1989 will amount to HK$2,440 million (1988: HK$2,094 million), an increase of 16.5 *per cent*, the total dividend *per share* for 1989 will be 42 cents (1988: 36.36 cents *adjusted*), an increase of 15.5 *per cent*. The dividend will be payable in cash, with a scrip alternative, in accordance with and subject to the Regulations of the Bank.

Consolidated profit and loss account
for the year ended 31 December 1989 – audited

1988 HK$m		1989 HK$m	1989 £m	1989 US$m
4,908	Profit of the Bank and its subsidiary companies	5,057	402	647
49	Share of profits of associated companies	423	34	54
4,957		5,480	436	701
(657)	Profit attributable to minority interests	(706)	(56)	(90)
4,300	Profit attributable to the shareholders of the Bank	4,774	380	611
(2,094)	Dividends paid and proposed	(2,440)	(194)	(312)
2,206	Retained profit for the year	2,334	186	299

HK cents		HK cents	GB pence	US cents
74.88 *(adjusted)*	Earnings per share	82.44	6.56	10.56
	Dividends per share			
11.82 *(adjusted)*	Interim *(paid)*	14.00	1.11	1.79
24.54 *(adjusted)*	Final *(proposed)*	28.00	2.23	3.59
36.36	Total	42.00	3.34	5.38

Consolidated balance sheet
at 31 December 1989 – audited

1988 HK$m		1989 HK$m	1989 £m	1989 US$m
	ASSETS			
233,961	Cash and short-term funds	264,046	21,023	33,809
70,526	Placings with banks maturing between one and twelve months	79,967	6,367	10,239
35,361	Trade bills and certificates of deposit	35,966	2,864	4,605
26,674	Hong Kong Government certificates of indebtedness	31,204	2,484	3,995
37,969	Investments	49,093	3,909	6,286
456,642	Advances to customers and other accounts	538,147	42,845	68,906
861,133		998,423	79,492	127,840
1,946	Investment in associated companies	2,141	170	274
20,632	Premises and equipment	37,210	2,963	4,764
883,711		1,037,774	82,625	132,878
	LIABILITIES			
26,734	Hong Kong currency notes in circulation	31,264	2,489	4,003
795,635	Current, deposit and other accounts	925,820	73,711	118,543
1,415	Proposed dividend	1,628	130	209
823,784		958,712	76,330	122,755
	CAPITAL RESOURCES			
20,757	Loan capital and preference shares	20,690	1,647	2,649
3,240	Minority interests	5,703	454	730
13,102	Share capital	14,540	1,158	1,862
22,828	Reserves	38,129	3,036	4,882
35,930	Shareholders' funds	52,669	4,194	6,744
59,927		79,062	6,295	10,123
883,711		1,037,774	82,625	132,878

Capitalisation Issue

The Directors also intend to recommend to shareholders at the Annual General Meeting to be held on 8 May 1990 that a capitalisation issue of shares be made in the proportion of one new share for every ten shares held on 2 May by the capitalisation of HK$1,454,032,043 from the Reserves of the Bank. The capitalisation shares will not rank for the final dividend but will rank *pari passu* with existing shares in all other respects.

Closing of Register of Shareholders

The Register of Shareholders of the Bank will be closed from 17 April until 2 May 1990 (both dates inclusive) for the purpose of determining the identity of shareholders entitled to the capitalisation issue and the final dividend. No transfers of shares may be registered during that period.

Outlook for 1990

The outlook for 1990 is uncertain, with continued fluctuation in exchange rates. In the world economy there are signs that sustained economic expansion is causing some strain, with the level of inflation becoming uncomfortably high. Real growth in the developed countries is expected to be more modest than in 1989.

Most Asian economies are likely to experience slower growth in 1990. In Hong Kong, where confidence is slowly recovering from the shocks of last year, the labour shortage and brain drain remain a problem. A period of slow growth with continued domestic inflation is expected.

There are nevertheless grounds for cautious optimism. Present indications are that operating results should remain strong and the Directors expect that the level of profits in 1990 will be sufficient to enable the Bank to pay at least the same quantum of dividend as for 1989, that is 38.18 cents per share on the capital as increased by the proposed capitalisation issue.

Directors' Interests

At 31 December 1989 Directors and their associates had the following beneficial interests in the shares of the Bank.

J R H Bond	55,672	Sir Kit McMahon	5,623
J A Brooks	4,089	C W Newton	6,893
D E Connolly	546,496	W Purves	97,444
F R Frame	73,379	N M S Rich	13,200
R R Frederick	30,976	H Sohmen	1,519,603
J M Gray	49,741	J E Strickland	66,681
D G Jaques	64,024	J J Swaine	811
N R Knox	27,501	J C C Tang	36,300
H C Lee	56,343	G A Thompson	95,100
K S Li	1,853,187	P J Wrangham	127,611

H C Lee also had a beneficial interest in 11,250 ordinary shares of Hang Seng Bank Limited.

As Directors of Marine Midland Bank, N.A., J R H Bond, F R Frame, R R Frederick, N R Knox, W Purves and G A Thompson each had a beneficial interest in 10 shares of common stock of that Company. As Directors of HKBG Holdings Limited, B H Asher, J R H Bond, J M Gray and D G Jaques each had a non-beneficial interest in one B share of that Company.

By Order of the Board
R G Barber, *Secretary*

Hong Kong, 13 March 1990

Strong US performance helps Attwoods to £11.4m

By Vanessa Houlder

ATTWOODS, the waste disposal company, yesterday announced a 34 per cent increase from £8.51m to £11.43m in pre-tax profits for the six months to January 31. Turnover moved ahead by 69 per cent to £105.12m.

The results reflected a strong first half in the US and a better-than-expected performance in West Germany, tempered by a downturn in the UK.

Profits of Drinkwater Sabey, the UK subsidiary, fell from £1.4m to £550,000 due to the pressures on the construction industry which affected quarry product sales and the quantity of waste generated from the building industry.

The recent Taskmasters and Sands & Gravels acquisitions and the Albury landfill should compensate for the recession in the building sector, although full year UK profits would not equal those of last year, directors said.

Attwoods has won six rubbish collection contracts from local authorities in the UK. Although margins were thin, the company hoped to take a large share of the business in the long term, said Mr Ken Foreman, chairman.

In the US, all solid waste operations, particularly those of Eastern Waste Industries had a strong six months. The integration of Laidlaw's Florida waste business was successful, he said.

With the recent award of a $28m recycling contract in Miami, which requires it to collect, sort and sell glass, metals and plastics, it will be providing recycling services to 500,000 residences by the end of the financial year. Mindis, a metal recycling business acquired last November, is rapidly being integrated.

Mr Foreman said that Attwoods was talking to local authorities in the UK about recycling ventures.

Medx, the medical waste company continued to perform well and was now handling and incinerating medical waste in nine states.

Dixi Sanitarsystem, the West German subsidiary which operates portable lavatories, benefited from the opening of the East German border and the influx of people from the East. It made a profit in the normally loss-making winter months.

Mr Foreman said that once the currency issue was settled, Attwoods planned to extend its operations into East Germany.

Earnings per share rose 25 per cent to 10.71p. An interim dividend of 3.25p (2.5p) is declared, a rise of 30 per cent.

Reorganisation lifts Kalon 22%

By John Thornhill

KALON GROUP, which claims to be the UK's largest independent paint manufacturer, increased pre-tax profits by 22 per cent to £4.52m in 1989 due to improvements in operating margins following a substantial reorganisation of its businesses in the previous year.

The advance was scored on a reduced turnover of £80.19m (£86.08m) although when previous contributions from disposals were stripped out then sales increased by 1 per cent from a readjusted £79.5m.

Mr Leslie Silver, chairman of the Yorkshire-based company, said the results for 1989 concealed and understated the real improvements in the group's performance and that operating margins on a comparable basis had increased from 6.2 per cent to 7.5 per cent.

Kalon's decorative division lifted profits during the year and in December 1989 it opened a new decorating sundries operation in Morley.

However, the industrial coatings division reported difficult market conditions and the chemicals division again recorded a "disappointing" result.

Gearing was substantially reduced during the year from 38 per cent to 19 per cent, but Mr Silver said that he did not think that difficult short term market conditions should restrict the company's investment in new projects.

Mr Silver added that in spite of the effects of high interest rates the company was confident of reporting a satisfactory result for the current year.

The proposed final dividend of 0.8p makes a total of 1.2p (1p). Earnings per share grew by 28 per cent to 2.71p (2.11p).

Correction

Lawtex

Lawtex, the Oldham-based umbrella, leisurewear and babywear maker, paid a 0.5p a share interim dividend. This was incorrectly reported in the Financial Times of March 8.

Torday for main market via £7.5m placing

By Clare Pearson

TORDAY & Carlisle, a specialist engineering group, is joining the main market via a £7.5m placing which values the whole company at £24.7m.

The move ends an 11-year sojourn on Granville's Independent Companies Exchange for Torday. Before the stock market placing some 20 institutions accounted for about 70 per cent of the shares.

Granville is sponsor to the placing. About 95 per cent of the 15.93m shares being sold represent new money. The two share vendors are the uncle and father of Mr Paul Torday, chairman.

At the placing price of 155p, the historic p/e is 8.45. The notional gross dividend yield is 5.38 per cent.

Pre-tax profits in the year to end-December were £3.27m (£1.59m) on sales of £46.76m (£24.63m).

There are three legs to the business: DMI, primarily involved in reconditioning diesel marine engines; Elfab Hughes, a manufacturer of pressure relief devices such as are found in sodastreams which is the smallest part of the group and Oldham Signs, a manufacturer and maintainer of commercial signs.

Mr Torday said yesterday that with the September 1988 addition of Oldham, which last year contributed operating profits of £2.37m, the company had felt ready to graduate to the stock market.

He said after the listing Torday intended to expand Oldham's business in Europe.

Opportunities opened up for DMI as a consequence of the ageing of the world's dry bulk shipping fleet would also be pursued.

Securing a stronghold in Europe

John Burton on Avena's hostile bid approach to Walter Runciman

MR HANS Eliasson, the 43-year-old president of Avena, the Swedish holding company, admits he knew almost nothing about the security equipment business when he bought Rosengrens, a Swedish safe manufacturer, three years ago.

Now Avena will be on its way to becoming Europe's biggest maker of heavy security equipment if its £47.8m hostile cash bid for Walter Runciman, the security equipment, shipping and insurance company, succeeds.

Although a building engineer by training, Mr Eliasson's recent interest in restructuring the European security equipment sector is part of his strategy of diversifying Gothenburg-based Avena away from its core business area of construction and property development, which are vulnerable to cyclical disruptions.

Mr Eliasson, who has had long experience as a Swedish property developer, laid the foundations for Avena when he bought Kullenberg, the Swedish construction company, in 1986, followed by Rosengrens in 1987. The two were merged in 1989 to form Avena, in which Mr Eliasson has 78.6 per cent voting control.

The acquisition of Runciman, with its Tann International security division, would boost Rosengrens' security equipment sales by more than 50 per cent to SKr600m in 1990 from SKr390m in 1989, Mr Eliasson estimates. Rosengrens has already doubled its turnover in the last two years, acquiring five other heavy security equipment companies, which produce safes, bank lockers and fire lockers.

The Rosengrens subsidiary is expected to report later this month a pre-tax profit of SKr10m (SKr5.5m) for 1989. It is aiming for a profit target of SKr25m in 1990.

"The security equipment business is considered a dull and mature industry with a stable market," says Mr Eliasson, "but I believe that others have ignored the possibilities of revitalising it through economies of scale and production rationalisation. People haven't paid sufficient attention to production, design or marketing."

Mr Eliasson's attention was drawn to Walter Runciman after Telfos Holdings unsuccessfully launched a £31m bid for the company in 1988. He says he held discussions in the course of the past year with Lord Runciman, the chairman, about buying Tann International, which accounts for about half of Runciman's sales, or merging Runciman with Avena in which the Swedes would have majority control.

But these proposals foundered on disagreements over price and voting control, according to Mr Eliasson. He then bought out Telfos Holdings' 28.5 per cent stake in Runciman for £11.5m last December. His hostile bid was triggered last month when he acquired a further 4.4 per cent interest from the National Rivers Authority. As it has been clear to the London market why Avena should want Runciman's security equipment business, but not at all clear why it should be interested in the other arm of Runciman – the liquid gas shipping operations – many have assumed that Mr Eliasson is intending to sell off the shipping side.

This has been fuelled by speculation about what level Avena's indebtedness would reach after it had paid out the cash to buy Runciman. The company's latest set of accounts are not yet available.

However, Mr Eliasson said when the takeover offer was announced last month that he was not considering such a disposal. Seemingly mindful that this point had not been made firmly enough in its offer document, Avena announced last Friday to the London Stock Exchange that it intended to retain all the businesses "substantially in their present form".

Hans Eliasson: may have been good for shareholders but not for the company

"I confess I know about as much about shipping as I knew about the security business when I bought Rosengrens, which was very little," Mr Eliasson says.

Runciman's six gas tankers "occupy a secure market niche and their management is handled by the Unigas consortium, which means we can concentrate on operating the carriers themselves. The ships would provide us with a base for developing this sector."

Shipping would further reduce Avena's dependence on construction and property operations under its Kullenberg subsidiary.

Mr Eliasson carried out an earlier diversification strategy within Kullenberg, expanding its activity from construction in Sweden to domestic and foreign commercial property development, construction equipment leasing and property financing. He also has a 36 per cent stake in VIAK, the Swedish engineering consulting firm.

He argues that, in a similar fashion, Runciman would become a more balanced company as a result of a takeover by Avena. Runciman would be "less dependent on the cyclical business of shipping as a result of the synergies offered by merging Tann and Rosengrens".

Otherwise, Runciman's profits could soon peak because "the outlook for shipping is uncertain. As a result we don't believe the share price will continue to rise, maintains Mr Eliasson.

"As it is, the share price has risen partially due to takeover speculation and the divestment of businesses. But they now have squeezed the lemon dry. It may have been good for the shareholders, but not for the company."

What has surprised Mr Eliasson is that resistance to his bid from the Runciman family is tougher than he expected. While describing his past contacts with Runciman as "friendly", the company's decision – in the midst of the Avena takeover bid – to develop a new Tann factory in co-operation with Laing Properties has left Mr Eliasson "very surprised and sad".

"I don't understand why Runciman did not consult us before announcing this decision, since we are the single largest shareholder in the company and have considerable experience in property development, including owning a London office. I do not regard this as friendly or polite.

"What is strange to me is that this is considered a hostile bid since British law states that breaching the 30 per cent barrier automatically places you in a hostile position. Such is not the case in Sweden," he adds.

Hanson buys in £24.25m of its 10% bonds

By Nikki Tait

Hanson, the UK-based conglomerate, announced yesterday that it has bought in £24.25m nominal of its £150m issue of 10 per cent unsecured bonds, due in 2006.

The bonds will be cancelled.

Hanson said that it will continue to make market purchases of these bonds "as and when it considers it to be in its interests to do so."

It has no present intention, however, of making any formal proposal to bond holders.

At the end of February, Hanson's capital structure was tidied up considerably when the bulk of its huge convertible loan stock issue was converted into ordinary shares.

Most of its 5¾ per cent convertible preference share issue has also now been switched into ordinary equity.

Laing Properties office sale

Laing Properties, currently on the receiving end of a hostile £441m bid from Pall Mall Properties, yesterday announced that it has sold an office development in Bedford Row, Holborn, London, for just under £15m, writes Nikki Tait.

The purchaser of the property, which covers 18,500 sq ft is the National & Provincial Building Society.

PUBLIC WORKS LOAN BOARD RATES

Effective March 12

Years	Quota loans A* repaid by EPI†	Quota loans A* repaid At††	Quota loans A* repaid at maturity§	Non-quota loans B* repaid by EPI†	Non-quota loans B* repaid At††	Non-quota loans B* repaid at maturity§
1			15			15¾
Over 1 up to 2	14⅞	14⅞	14⅜	15⅞	15⅞	15⅛
Over 2 up to 3	14½	14⅜	13⅞	15½	15⅜	14⅝
Over 3 up to 4	14¼	14⅛	13½	15¼	15⅛	14¼
Over 4 up to 5	14	13⅞	13¼	15	14⅞	14
Over 5 up to 6	13¾	13⅝	13⅛	14¼	14⅛	13⅝
Over 6 up to 7	13⅝	13⅜	13	14⅛	13⅞	13½
Over 7 up to 8	13⅜	13¼	12⅞	13⅞	13¾	13⅜
Over 8 up to 9	13¼	13⅛	12¾	13¾	13⅝	13¼
Over 9 up to 10	13⅛	13	12¾	13⅝	13½	13¼
Over 10 up to 15	12⅞	12¾	12⅛	13⅜	13¼	12⅝
Over 15 up to 25	12⅜	11⅞	11⅝	12⅞	12⅜	12⅛
Over 25	11¾	11½	11½	12¼	12	12

*Non-quota loans B are 1 per cent higher in each case than non-quota loans A. †Equal instalments of principal. †† Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

UK COMPANY NEWS

Earnings growth slows at Glynwed

By Clare Pearson

GLYNWED International's strong recent earnings per share growth record suffered a severe setback in 1989 when the advance faltered to just 6.4 per cent, against 24 per cent in the previous year.

The advance to 30.66p (28.81p) followed a slowdown in pre-tax profits, which in the year to end-December rose by 13 per cent to £93.3m against 1988's 36.6 per cent rise to £82.5m.

Nevertheless, Glynwed's shares rose 15p to 241p after yesterday's announcement. The pre-tax figure was better than many expectations and the market was also cheered by the dividend recommendation.

Glynwed intends to lift the year's payment by 20 per cent to 11.65p (9.7p) via a 7.5p final. Mr Gareth Davies, chairman, said at this level dividend cover was 2.6 times, within the band of 2.5 to 3 times which the company saw as acceptable.

The weaker 1989 results were attributed to a combination of difficult trading conditions in consumer products, copper tubing and bright steels, and higher UK interest rates. Together, these meant the group made £13m less profit than budgeted, Mr Davies said.

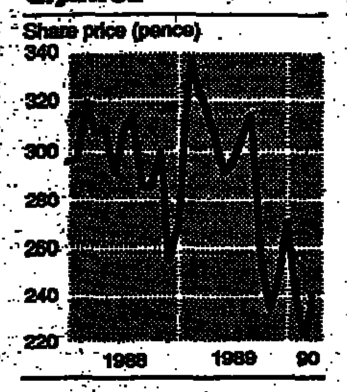
"The out-turn for 1990 is more difficult to predict than for many years," he said. "But there are a number of ... considerations which suggest that earnings per share should improve this year."

In particular, plastics were showing every sign of continued growth and overseas sales were set for further improvement. Such sales rose from £187m to £344m, representing 30.5 per cent of group sales, in 1989.

Turnover was £1.13bn (£839.8m). Interest payable rose to £12m (£4.8m). Operating profits were 20.6 per cent higher at £105.3m (£87.3m), with advances in all divisions of the group apart from consumer and building products and tubes and fittings.

Glynwed

Share price (pence)



The contribution from tubes and fittings fell to £8.3m (£13.8m). Within this, the UK copper tube market experienced an unusually high level of imports at the same time as demand fell. However, Mr Davies said the position had improved in the current year.

Consumer and building products made £22.4m (£23m). A good performance from Aga-Rayburn and Falcon, the commercial catering equipment companies, contrasted with a decline in demand for gas cookers and fires felt by Flavel-Leisure.

In building products, cast iron products improved which Glynwed said demonstrated its low exposure to the housing market.

Some other parts of the group enjoyed a first full-year contribution from Amari, the steels and plastics company bought for £98m in June 1988. By division, metal services made £17.5m (£8.5m), plastics £20.9m (£15.4m), steels and engineering £28.1m (£20.2m), and properties £10.4m (£9m).

See Lex

ICI chief gets 7.5% pay boost to £514,000

By Peter Marsh

SIR DENYS Henderson, chairman of Imperial Chemical Industries, last year received a 7.5 per cent pay rise, taking his annual salary from £478,000 to £514,000.

The increase was roughly in line with inflation but slightly above the rise in ICI's pre-tax profit, which went up 4 per cent from £1.47bn in 1988 to £1.53bn.

According to the company's report for 1989, published yesterday, total wage costs at the company rose by nearly 10 per cent from £2.37bn in 1988 to £2.6bn last year. Directors' emoluments increased from £2.8m to £3.07m.

Dalgety purchase

Dalgety is to acquire Appletree Fresh Products, a subsidiary of Appletree Holdings, for £3.8m. The cash value of the acquisition will be approximately £5.5m. This includes repayment of Appletree Holdings loan account of £2.7m offset by £1m cash in the business.

Dissident Aquascutum holders challenge directors' control

By David Owen

A GROUP of shareholders yesterday issued a challenge to the directors' longstanding control of Aquascutum by launching an attempt to enfranchise fully the classic clothing company's restricted voting shares.

Aquascutum's directors, including Mr Gerald Abrahams, the chairman, have traditionally controlled the company through ownership of a majority of its 3.5m ordinary shares. Holders of the 27m Class A ordinary shares are entitled to vote only on resolutions for a reduction in capital or winding up the company, or on those which modify, abrogate or directly affect their rights.

Both classes of shares climbed sharply on the prospect that the company's impregnability to a hostile takeover might be impaired.

The A shares were up 11p to 131p, adding to Monday's 22p gain; the ordinary shares rose 5p to 370p. At these levels, the group is valued at more than £48m.

Based on heavy trading in the A shares in recent months analysts speculate that the dissident group may already have accumulated a substantial number in the absence of disclosure requirements for restricted or non-voting shares.

The challenge is in the form of a requisition requiring the company to include two resolutions in the notice of its agm, which is usually held in June.

These are: fully to enfranchise the group's Class A restricted voting shares and to appoint shareholder-group leaders Mr Brian Myerson and Mr William Dacombe as additional directors. As an alternative, resolutions to enfranchise the Class A shares via a scheme of reconstruction would be acceptable.

Mr Dacombe, who would make no comment yesterday, is a former assistant chief executive of Williams and Glyn's Bank and non-executive chairman of WA Tyzack, the Sheffield engineering group.

During his time with Tyzack in 1987, dissident shareholders requisitioned an extraordinary meeting in an effort to remove him and to add directors to the board. The move resulted in a compromise in which new directors were appointed but Mr Dacombe was retained.

The South African Brian Myerson family was part of a concert party which took control of Oceana Development Investment Trust in 1988. The family's representative sold an 18.6 per cent stake in Oceana a year later. It is now largely UK based.

It appeared yesterday as if the outcome of the initiative might hinge on whether Class A shareholders are able to vote on the required resolutions. This remains in doubt.

Aquascutum, whose customers include Mrs Margaret Thatcher, advised shareholders to take no action, pending a further statement once directors had taken "appropriate advice."

Its recent financial performance has been far from sparkling, with pre-tax profits falling in each of the past two years.

For the year to January 31, 1989, the decline was blamed on exceptional costs arising from the collapse of an overseas franchise, together with an instance of "damaging" parallel trading. Pre-tax profits for the six months to July 31 1989 were down a further £193,000 at £616,000.

Lancaster braked as interest rates bite

By John Griffiths

HIGH INTEREST rates, the abandonment of a used car joint venture with Halfords and the weakening UK car market sent pre-tax profits of Lancaster, the vehicle retailing group, into reverse last year.

The profit of £4.31m, down from £4.4m, was struck after taking into account an exceptional credit of £976,000 representing the sale of a surplus dealership site for £2.4m, less the £1.4m costs of closing Central Park, the venture with Halfords, last December.

However, Mr Nicholas Lancaster, group managing director, insisted yesterday that profits growth would resume during the current year.

Lancaster derives 80 per cent of its profits from specialist cars such as Jaguar and Porsche, and Mr Lancaster said that as a result the group expected to escape the worst of what he described as the "disorderly" conditions developing in the volume cars sector, in which dealer profits margins are being reduced sharply.

He also disclosed that Lancaster has started preliminary talks aimed at establishing a presence in Continental European car retailing, and that in the second half of this year it will launch the second phase of a programme to establish what Lancaster claims will be the first national network of vehicle body repair centres.

Operating profits in 1989 were 9 per cent higher at £5.26m (£4.81m), on turnover 25 per cent higher at £187.75m (£150m).

However, interest payable more than trebled to £1.93m (£628,000) as a result of investment in new dealerships, and reduced profits at the pre-tax and extraordinaries level by 20 per cent, from £4.19m to £3.33m.

Central Park attracted considerable interest from the motor trade as it represented a novel attempt to establish a chain of indoor used car centres in out-of-town shopping areas.

Earnings per share eased slightly to 15.4p (16.8p). The final dividend of 3p raises the total for the full year by 0.5p to 4.5p.

SHARE STAKES

The following changes in company share stakes have been announced recently:

Rosehaugh: Robert Fleming Holdings and its subsidiaries have an interest in 6.68m ordinary (10.1 per cent), excluding those owned by London Mercantile Holdings, a wholly-owned subsidiary.

Sheriff Holdings: Standard Life total holding is now 598,422 (9.21 per cent). Tyne and Wear County superannuation fund total holding is now 333,364 ordinary (5.13 per cent).

Spectrum : Parkfield has acquired 550,000 ordinary lifting its total holding to 5.42m (28.11 per cent).

Stormgard: Schroders total holding is now 20.96m registered in the name of Schroder Nominees (5.01m) and Popeshead Nominees (15.95m).

T and S Stores: Barclays Bank has sold 946,969 ordinary and now has 4.67m (7.34 per cent).

Tubular Edgington: Kleinwort Benson Investment Management now holds 5.6m ordinary (8.17 per cent).

Vickers: IEP Securities is the beneficial owner of 47.23m (18.21 per cent) ordinary, 565,000 5 per cent preference shares, 21,341 5 per cent non-cumulative preferred and 15,075 5 per cent non-cumulative preference shares, representing 17.94 per cent of the total voting rights of Vickers.

Waterglade International: Funds under control of Scottish Amicable Investment Managers now hold 2.99m ordinary (13.78 per cent).

Wolverhampton and Dudley Breweries: Scottish Amicable Investment Managers now hold a total of 4.74m (7.27 per cent).

Worthington (AJ): Seymour Gorman and Henry Schuldenfrei, directors, bought 50,000 ordinary at 45p per share from Brooke in which they have a minority interest. Total holding of Brooke is now 3.56m (35.66 per cent).

Young (H) Holdings: TR Trustees is now beneficially interested in 1.15m ordinary (7.41 per cent).

Zurich Group: Duntree Holdings purchased 14.09m Zurich ordinary (14.3 per cent) from St James Corporate Services on February 14.

NEWS DIGEST

Tay Homes advances to over £3m

THE DIVIDE in the UK housebuilding market was well illustrated yesterday by Leeds-based Tay Homes.

Announcing taxable profits ahead 14 per cent to £3.02m (£2.64m) for the six months to end-December, Mr Trevor Spencer, chairman, said that operations in Yorkshire, Scotland and the north west of England, which together account for some 85 per cent of turnover, made good progress.

During the period, Tay sold 333 dwellings, up from 292 in the corresponding six months of 1988. Turnover was £22.49m (£17.98m). An interim dividend of 1.2p (1p) is payable from earnings of 9.1p (7.9p).

Community Hospitals at £3.09m

In its first reporting period since going public, Community Hospitals Group announced pre-tax profits of £3.09m for the six months to end-December.

This figure, however, included an exceptional gain of £1.07m resulting from the disposal of the group's investment in Caldaire, the company which owned Methley Park Hospital in Leeds.

Sir Peter Thompson, the chairman, said the new capital arising from the flotation had enabled the group to pursue its policy of growth, both organic and by acquisition.

After the exceptional item, and tax of £987,000, earnings per £1 share came out at 8.7p and the board has declared an interim dividend of 1.9p.

Interest charges hit Everest Foods

Difficult trading conditions for frozen foods and high interest charges left Everest Foods with a lower interim taxable profit of £716,000, against £1.09m. Mr Bob Gilbert, chairman, said in the next few months the company would be trying to reduce gearing and improve the frozen foods division.

Turnover for this USM-quoted company in the six months to November 30 was £13.52m (£8.17m). The pre-tax figure was struck after higher interest charges of £418,000 (£102,000).

Tax took £251,000 (£385,000) for earnings per share of 4.65p (7.07p). The interim payment is maintained at 2p.

Doeflex static at £1.26m

Doeflex, a manufacturer of plastic materials, saw pre-tax profits improve slightly to £1.26m in 1989, against £1.23m. This, however, represented a fall in the second half from £594,000 to £556,000.

Mr Richard Bickerton, chairman, said that a significant number of customers had been adversely affected by the downturn in certain sectors of the market. Sales and margins were being affected in the short-term, particularly in the third quarter when many customers reduced stock levels.

Turnover for continuing activities was £18.13m (£17.67m). After tax of £407,000 (£434,000), earnings per share were 10.18p (9.47p). A final dividend of 2.7p is proposed for a total of 4p (3.5p).

Both divisions lift Secure Trust

Secure Trust, the financial services group, made £4.51m before tax in its first year as a publicly listed company. This marked an improvement of 24 per cent on its pro forma result of £3.63m the year before.

The increase came in both the company's main lines of business — home budgeting services and insurance broking. There was also a gain in interest income. A recommended final of 6p lifts the total dividend for the year to 8.5p, an increase of 20 per cent.

Mr Henry Angest, chairman, said the company was largely insulated from the effects of high interest rates and inflation. Some small acquisitions were made last year, and he saw further prospects for growth through acquisition when the right opportunities arose.

COMMODITIES AND AGRICULTURE

Gold retreats below $400 on dollar strength

By David Blackwell

GOLD PRICES retreated well below the psychologically important $400-a-troy-ounce level yesterday, principally in response to the continued strong performance of the dollar.

Some precious metals analysts are still sticking by their assertions that the bull trend which started last autumn has not met with an early demise. But others believe the price could now have trouble climbing back over $400 an ounce.

Traditionally high interest rates have not been good for gold; but recently there has been a flight to currencies from the precious metals sector.

On the London bullion market gold closed at $396.25 yesterday, a fall of $4.75 an ounce, and the lowest close since January 4. Mr Andy Smith, precious metals analyst with UBS Phillips & Drew, said that if the price continued down through the technical support level of $394, it would quickly fall to $385.

The markets had become myopic on the dollar, he said: the D-mark was reflecting worries over German unification and the yen was reflecting both political worries and Japanese reluctance to raise interest rates. In addition, Japanese investors and speculators had taken their profits on gold.

"The dollar has been killing gold since early February. . . the buying on dips in the price has got progressively more anaemic and speculative activity has fallen away," said Mr Smith. There had been no lifebelts thrown from the platinum and silver markets, and the situation did not look like changing, at least for this week.

Mr Neil Buxton, an anlyst with Shearson Lehman Hutton, pointed out that gold had fallen from above $420, and said that sentiment had now turned very negative.

Other observers admitted that the market was living dangerously, but it "would be most unusual if the bull trend was to last only a few months," said one. "Gold changed direction last autumn, and we've not broken the uptrend yet."

Canadian prospectors feeling the pinch

Kenneth Gooding finds spirits running low at a mining convention in Toronto

MONEY SPENT on mining exploration in Canada this year will fall to under half the level needed to maintain the country's position as the world's third-largest minerals producer, according to Mr Robert Ginn, president of the Prospectors and Developers Association of Canada.

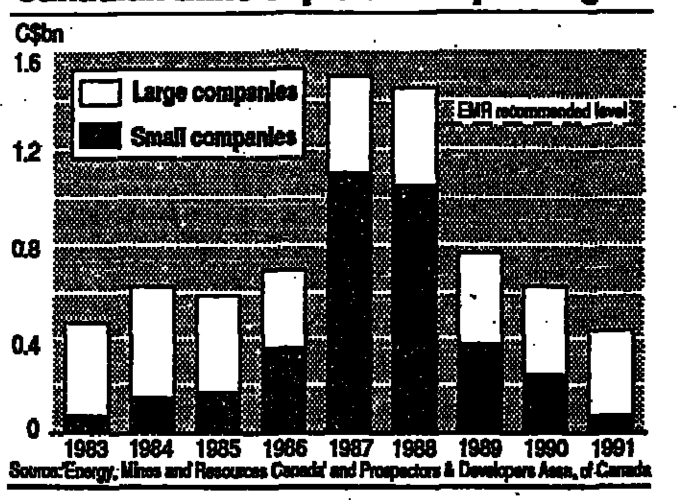
In 1991 expenditure is likely to be only one-third of the C$1.3bn (£685) Canada's Energy, Mines and Resources Ministry estimates is required if the country's metals production is to be sustained and particularly if seriously-depleting base metals reserves are to be replenished.

Those reserves have fallen by nearly one third since 1980 and the trend seems likely to continue.

Canada has a great deal to lose, says Mr Ginn. The mining industry contributes about C$39bn of the country's export earnings, or 25 per cent of the total, and another C$22bn in corporation taxes.

Mr Ginn suggests that exploration expenditure has dropped substantially because the small, or junior, mining and exploration companies can no longer raise the funds they need. Their financial lifelines have been cut by a combination of a relatively low gold price, the stock markets crash of October 1987, which damaged investor confidence, and confusion over the future of the Canadian Government's scheme which permitted tax benefits to "flow through" to investors in mining and exploration companies.

Canadian mine exploration spending



Source: Energy, Mines and Resources Canada' and Prospectors & Developers Assn. of Canada

The association, meeting here for its annual convention, is furious because the Government went back on its promise to give six months notice of any changes to the latest flow-through arrangements.

The Government put the final nail in the coffin of flow-through shares schemes in its recent Budget when the Canadian Exploration Incentives Programme was cancelled. Companies incurring expenses on exploration through flow-through share agreements will no longer be eligible for assistance through a 30 per cent grant. The incentives programme was a successor to the Minerals Exploration Depletion Allowance, which enabled investors,if necessary, to write off 133 per cent on exploration funds invested through flow-through shares.

Money poured into flow-through shares, reaching a record C$1.183bn in 1987 when it was clear that the scheme might end. Last year the total was down to an estimated C$370m. Exploration expenditure in Canada reflected this trend, falling from a record level ofC$1.5bn in 1987 to between C$800m and C$900m last year.

Mr Ginn says the total spent on exploration is likely to be C$610m this year.

The association suggests that major companies, far from filling the gap left by cash-starved juniors, will reduce exploration spending because of falling metal prices and the industrial slow-down in North America.

"We can expect spending by the junior companies to drop to the level of 1983 and those were the days when the Government had to enact emergency plans to employ our nation's geologists and engineers," says Mr Ginn.

The association is calling for the Government to implement changes to the way capital gains tax is charged on flow-through shares to increase the attraction of these investments.

It can produce other examples to show that Canada's mining industry is in decline. The Energy, Mines and Resources Ministry's statistics show that total mine investments, including repair and development expenditure, have remained essentially flat. Investments in machinery and equipment and on surface and underground structures have generally declined each year and in 1988 were half of what they were in 1981.

Statistics compiled by the Canadian Diamond Drilling Association indicate that exploration drilling, in terms of footage drilled, fell by 18 per cent in 1988 compared with the previous year and the decline continued in 1989 when in the first half the fall was 23 per cent.

But this does not mean that the Canadian mining industry is in terminal decline.

The prospectors' association says that, thanks largely to the flow-through share scheme, past exploration efforts resulted in more than 30 new mineral discoveries last year. There were also 113 projects in an advanced stage of exploration (meaning that they had moved to underground or open pit exploration); 30 projects were in the development stage (meaning that production plans had been announced); and the association can point to 75 new producing mines which started up since 1986.

Peruvian mine strike spreads

THE STRIKE which began on Monday at the Southern Peru Copper Corporation spread yesterday, reports Sally Bowen in Lima. The principal mine, Cuajone, and the smelter at Ilo both shut down on March 12 with the third and final installation, the Toquepala mining complex, joining in yesterday.

US-owned SPCC produces around two-thirds of all Peru's copper – 233,000 tonnes last year out of a national total of 364,000 tonnes. Of this, 135,000 tonnes came from Cuajone and 98,000 tonnes from Toquepala. All ore from the two mines, located between the southern city of Arequipa and the Chilean frontier, is treated at the Ilo smelter.

Some 60 per cent of the blister goes on to the state-owned Mineroperu refinery, while the remainder is exported.

WEEKLY METALS

Prices from Metal Bulletin (last week's in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 1,750-1,800 (same).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, $ 4.00-4.20 (4.00-4.25).

CADMIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, 4.40-4.60 (4.40-4.70).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 8.10-8.40 (8.10-8.30).

MERCURY: European free market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, 225-240 (same).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 3.10-3.25 (2.95-3.02).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 5.50-6.10.

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit (10 kg) WO, cif, 39-57 (same).

VANADIUM: European free market, min. 98 per cent, $ a lb VO, cif, 3.55-3.75 (3.00-3.10).

URANIUM: Nuexco exchange value, $ per lb, UO, 9.00 (same).

Africa caught in a cleft stick over financing forestry development

Geoffrey Pleydell reports on a seminar organised by the International Tropical Timber Organisation in Accra

AFRICA IS unlikely to attract greater investment to develop its forest-based industries without political commitment to safeguarding its forests. That was the recurring theme at a seminar held by the International Tropical Timber Organisation in Accra recently on opening up ways for African countries to process timber to a much greater extent before export. At present most of Africa's wood is still exported as logs.

The organisation is concerned that Africa is not asking for help although has a much lower level of investment in forest industry than the main tropical timber regions in the Far East, and South America.

Europe is Africa's main overseas market for timber. In 1988 European Community members imported from Africa 2.7m (UK 59,000) cubic metres of logs and 700,000 (UK 80,000) cu m of sawn timber. This is in strong contrast to the Far East countries where the export of logs is either already banned (Malaysia, Indonesia and the Philippines) or will be increasingly curtailed (Sarawak, Sabah and Papua New Guinea).

Mr Markku Simulax of the International Tropical Timber Council, said at the seminar that African countries should create specific targets for phasing out log exports and go for more downstream activity in machined timber, furniture components and other added value possibilities, the aim being to retain a greater share of income from wood exports as well as creating more jobs and increasing the technical and management resources in African countries. However, there is a lack of project proposals being made to the ITTO by African countries.

In moving from logs to products like furniture components there have to be the intermediate steps of sawmilling and drying. Many of the Francophone African countries have not yet advanced far in these key areas.

Hosted by Ghana's Timber Export Development Board, representatives of Liberia, the Ivory Coast, Nigeria, Congo, the Central African Republic, Cameroon, and Gabon heard Mr Claude Heimo of the World Bank call for a review of national policies to make sure that there is forest management providing sustainable yields of timber on which to base investment.

It is unlikely that high investment and commitment will come unless investors can be sure of adequate forest resources – which touches not only on long term forest management but on the sensitive issue of forestry concession allocation, complicated by an interweaving of local community pressures, traditional land rights and family and political loyalties.

Young trees from this Ghanaian nursery will be providing good quality sawn timber in less than 20 years

There is now considerable irritation in Africa over the criticisms levelled by environmentalists in Europe about the loss of tropical forests. Africans claim, with some justification, that logging takes only a handful of species out of hundreds and leaves the African forests substantially intact. It is the activities of thousands of subsistence farmers which are the cause of destruction, they say.

Africans also feel that efforts toward greater protection of forests are not being recognised in Europe and the US. What is very clear is that changing the deep-rooted cultural pattern of agricultural practice, which has always depended on burning and clearing, is outside the control of the timber industry itself.

Nevertheless Africans are angry that public opinion in Europe is suspicious of the place of logging, and has more and more moved to the concept of not buying tropical wood unless it can be proven to come from properly managed forests.

They see a lack of sympathy for their problems and a lack of recognition of efforts being made to change things. They are asking ITTO to be much more positive and active in explaining to the developed world the role of timber and forests in the lives of African people, and in the economies of African nations. On their part they say it is important to show to their own people that the forest has a definite financial value and therefore is worth protecting. Over centuries the forest has always been there, taken for granted, and casually destroyed.

Conditions vary from country to country, from the huge, hardly touched forests of Zaire to the problems of the Ivory Coast, where positive policies of attracting migrants has led to heavy depletion. Nigeria too, with a population of over 100m, has made massive inroads on its timber resources and now exports no timber at all from its natural forests.

Most of the francophone countries depend very heavily on log exports, whereas Ghana has already banned the export of logs of 19 species. Ghana also has a well established array of productive forest reserves, and its Forestry Department is currently being strengthened with more technical and financial assistance from Britain's Overseas Development Administration.

One of the recommendations of the Accra meeting is that each country should have its own strategy group to co-ordinate the views of forestry, trade, research, training, and government. Wood production, and productive and protective forestry must be given much higher priorities in national social and economic planning, and in land use strategies.

Mr Kwame Peprah, Ghana's Secretary for Lands and Natural Resources, says that African countries are dependent to varying degrees on the utilisation of their forest resources, but national management of resources creates immediate costs for them.

Africa cannot on its own progress far down the road towards further processing of its timber because it lacks the experience and technology. It needs to attract outside help and outside investment. Whilst help will be forthcoming from ITTO, Unido and other international institutions, it looks as though the World Bank has been sufficiently rattled by the attacks of environmentalists not to want to be involved unless there are clear commitments to national reviews of forest sectors and governmental commitment to forests which both protects the environment and provides continuing harvests of timber.

Foreign investors are unlikely to appear without considerable assurances about political stability, assured forestry concessions and a set of rules which enable them to plan confidently. "Changing the goalposts," as one delegate put it, "is a certain disincentive."

Sadly, it is those countries which have seen the greatest damage which have advanced the most in added value products. Nigeria and the Ivory Coast have shown more ingenuity in creating more rewards from declining resources under the pressures of necessity. Industrial development of their wood businesses shows the benefits of greater recovery of useable wood from a log, but even so does not address the need to use more of the species which grow in the forest.

CORRECTION
German farms

IN YESTERDAY'S article on West German farm incomes the differential figure between average farm income and average income in trade and industry was incorrectly stated. At DM32,286 (£11,700 at the current exchange rate) average farm income in 1988-89 was 18 per cent less than the average comparative income in trade and industry of DM39,300.

WORLD COMMODITIES PRICES

MARKET REPORT

COCOA prices closed at 5½-month highs yesterday on rumours that the Ivory Coast, the world's biggest producer, had oversold its current crop and that two Ivorian shippers were having problems meeting commitments for March physical shipments. Traders said that there was a general feeling that despite the high level of world stocks, the market had moved up to a higher level and that technical factors remained constructive. Robusta coffee prices, which on Monday retreated below £700 a tonne, regained the losses yesterday, supported by stronger arabica prices in New York. London was also helped by continued concern over the situation in the Ivory Coast and by the weakness of sterling, the traders said. On the LME the premium for cash lead over three-month continued to widen. Some traders now believe that three-month metal, at more than £500 a tonne, is overbought and in need of a downward correction. Zinc advanced strongly, but some analysts, while acknowledging nearby tightness caused by supply problems, were unsure whether demand had shown an increase sufficient to warrant further sharp price rises.

Compiled from Reuter

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)		+ or -
Dubai	$15.95-6.10z	+0.10
Brent Blend	$16.60-6.70z	+.125
W.T.I. (1 pm est)	$20.51-0.54z	+0.24
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$210-212	-5
Gas Oil	158-159	+1
Heavy Fuel Oil	$84-86	-½
Naphtha	$172-173	+3
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$396.25	-4.75
Silver (per troy oz)♣	505c	-8
Platinum (per troy oz)	$498.45	-4.45
Palladium (per troy oz)	$130.75	-0.75
Aluminium (free market)	$1535	+5
Copper (US Producer)	122⅝-127	
Lead (US Producer)	48½c	
Nickel (free market)	410c	-15
Tin (Kuala Lumpur market)	16.86r	+0.05
Tin (New York)	296c	+2
Zinc (US Prime Western)	70¼c	-⅛
Cattle (live weight)†	110.13p	+0.60*
Sheep (dead weight)†	228.88p	+9.33*
Pigs (live weight)†	94.19p	+1.97*
London daily sugar (raw)	$373.4t	-2.6
London daily sugar (white)	$435t	-1
Tate and Lyle export price	£349.5	-0.5
Barley (English feed)	£107.25	-2.5
Maize (US No. 3 yellow)	£128.75	+0.50
Wheat (US Dark Northern)	£133t	
Rubber (Apr)♥	57.00p	
Rubber (May)♥	57.75p	
Rubber (KL RSS No 1 Apr)	230m	-1
Coconut oil (Philippines)§	$390t	-5
Palm Oil (Malaysian)§	$295z	
Copra (Philippines)§	$265y	-5
Soyabeans (US)	£172	-1
Cotton "A" index	79.30c	-0.60
Woottops (64s Super)	573p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. x-Feb/Mar. t-Mar/Apr. v-Jan/Mar. w-Mar. z-Apr y-May. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX ($ per tonne)			
Raw	Close	Previous	High/Low
May	348.40	344.00	348.00 342.20
Aug	344.60	342.40	345.40 340.00
Oct	328.60	326.20	331.20 326.00
Dec	327.60	325.00	316.00
Mar	304.00	304.00	306.00 303.00
May	302.00	302.60	301.00
White	Close	Previous	High/Low
May	434.5	434.0	436.0 431.0
Aug	433.5	433.5	434.0 430.4
Oct	406.0	405.5	406.0 403.0
Mar	386.0	385.0	386.2 385.2
May	385.9	385.0	

Turnover: Raw 3101 (4825) lots of 50 tonnes. White 680 (759)
Paris- White (FFr per tonne): May 2517, Aug 2519, Oct 2375, Dec 2310, Mar 2300, May 2300

CRUDE OIL – IPE ($/barrel)			
	Latest	Previous	High/Low
May	18.75	18.55	18.81 18.66
Jun	18.76	18.67	18.81 18.70
Jul	18.71	18.70	18.74 18.65
Aug	18.70	18.67	18.70
IPE Index	18.65	18.90	

Turnover: 8101 (6439)

GAS OIL – IPE ($/tonne)			
	Latest	Previous	High/Low
Apr	157.75	156.00	158.75 156.75
May	154.50	154.25	156.00 154.00
Jun	154.00	153.75	155.00 153.50
Jul	155.50	155.25	155.75 155.00
Aug	157.25	157.50	157.25 157.00
Sep	158.50	157.00	158.50
Nov	161.50	159.00	161.50 160.50
Dec	162.00	163.00	162.00

Turnover 9826 (6974)lots of 100 tonnes

JUTE
March/April c and f Dundee BTC $590, BWC $610, BTD $580, BWD $565; c and f Antwerp BTC $565, BWC $565, BTD $540, BWD $530.

COTTON
Liverpool-Spot and shipment sales for the week ended March 9 1990 amounted to 540 tonnes against 1541 tonnes in the previous week. Trading was fair with operations occuring in Russian, West African and Chinese growths.

COCOA – London FOX (£/tonne)			
	Close	Previous	High/Low
Mar	730	706	730 707
May	741	719	745 712
Jul	753	732	756 733
Sep	767	747	773 750
Dec	789	770	798 772
Mar	808	791	815 790
May	822	807	831 807

Turnover: 14719 (5505) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Mar 12 853.96 (858.31) 10 day average for Mar 13 845.05 (840.45)

COFFEE – London FOX (£/tonne)			
	Close	Previous	High/Low
Mar	709	682	711 681
May	734	697	734 699
Jul	711	689	711 690
Sep	719	700	717 699
Nov	733	710	732 710
Jan	742	720	743 725
Mar	757	735	755 743

Turnover: 5751 (6164) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Mar 12: Comp. daily 75.19 (77.23). 15 day average 74.55 (74.06)

POTATOES – BFE (£/tonne)			
	Close	Previous	High/Low
Apr	165.5	163.5	166.0 163.0
May	196.0	195.0	197.0 193.5
Nov	99.0	99.0	99.0
Apr	144.0	144.0	144.0

Turnover 265 (664) lots of 40 tonnes.

SOYABEAN MEAL – BFE (£/tonne)			
	Close	Previous	High/Low
Apr	128.00		128.00
Jun	124.50	125.00	124.50
Aug	124.50	124.50	124.50

Turnover 19 (55) lots of 20 tonnes.

FREIGHT FUTURES – BFE ($10/index point)			
	Close	Previous	High/Low
Mar	1622	1610	1625 1610
Apr	1626	1623	1630 1615
Jul	1380	1376	1390 1376
Oct	1470	1473	1479 1470
BFI	1628	1628	

Turnover 253 (216)

GRAINS – BFE (£/tonne)			
Wheat	Close	Previous	High/Low
Mar	111.25	110.50	110.80
May	113.35	112.70	113.35 113.00
Jun	115.25	114.70	115.25 115.00
Sep	106.25		106.25
Nov	109.25	109.25	109.25
Barley	Close	Previous	High/Low
Mar	105.00	104.75	104.60 104.45
May	107.50	107.25	107.50 107.00
Sep	103.25		103.25
Nov	107.00		107.00

Turnover: Wheat 141 (341), Barley 59 (32).
Turnover lots of 100 tonnes.

PIGS – BFE (Cash Settlement) p/kg			
	Close	Previous	High/Low
Apr	120.5	120.0	120.5
Jun	120.0	120.0	120.0
Aug	115.5	115.5	116.0
Oct	116.5		116.5

Turnover 101 (113) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 14,050 tonne
Cash	1545-8	1526-32	1530/1527	1530-2		
3 months	1551-2	1534-5	1565/1535	1539-40	1563-4	-
Copper, Grade A (£ per tonne)						Ring turnover 24,900 tonne
Cash	1618-20	1612-4	1621/1620	1621-2		
3 months	1597-8	1589-90	1600/1596	1599-600	1597-8	-
Lead (£ per tonne)						Ring turnover 8,800 tonne
Cash	735-45	695-700	750	749-50		
3 months	505-6	500-1	509/498	504-4.5	508-9	-
Nickel ($ per tonne)						Ring turnover 888 tonne
Cash	8900-50	9075-175	8900	8875-900		
3 months	8680-700	8850-900	8850/8675	8675-725	8600-50	-
Tin ($ per tonne)						Ring turnover 580 tonne
Cash	6395-405	6340-50	6405	6405-8		
3 months	6520-5	6460-70	6540/6500	6530-5	6540-5	-
Zinc, Special High Grade ($ per tonne)						Ring turnover 13,550 tonne
Cash	1695-700	1615-20	1668/1666	1686-7		
3 months	1572-5	1526-7	1580/1537	1568-9	1580-2	-
Zinc ($ per tonne)						Ring turnover tonne
Cash	1620-40	1590-600		1620-40		
March 30	1600-20	1580-90		1600-20		-

LME Closing £/$ rate: SPOT: 1.6010 3 months: 1.5750 6 months: 1.5578 9 months: 1.5342

LONDON BULLION MARKET		
Gold (fine oz)	$ price	£ equivalent
Close	396-396½	247¼-247¼
Opening	398½-399	247¾-248¼
Morning fix	397.35	247.848
Afternoon fix	397.25	247.739
Day's high	399-399½	
Day's low	395¾-396¼	

Coins	$ price	£ equivalent
Mapleleaf	404-409	252-255
Britannia	404-409	252-255
US Eagle	404-409	252-255
Angel	404-409	252-255
Krugerrand	395-398	247-249
New Sov.	94-96	58½-60
Old Sov.	94-96	58½-60
Noble Plat	504.45-512.40	314.90-319.85

Silver fix	p/fine oz	US cts equiv
Spot	316.05	505.60
3 months	328.15	516.25
6 months	340.75	527.55
12 months	365.05	550.20

TRADED OPTIONS				
Coffee	May	Jul	May	Jul
700	55	58	21	47
750	29	38	45	77
800	14	25	80	114
Cocoa	May	Jul	May	Jul
700	53	52	13	19
750	26	43	35	40
800	11	24	71	71
Brent Crude	May	Jun	May	Jun
1850	60	66	28	35
1900	22	42	43	
1950	8	25		99

New York

GOLD 100 troy oz.; $/troy oz.				
	Close	Previous	High/Low	
Mar	399.0	399.8	0	0
Apr	400.7	401.1	401.2	396.7
May	403.5	403.9	0	0
Jun	406.2	406.6	407.0	402.0
Aug	411.7	412.0	412.0	408.0
Oct	417.1	417.3	414.5	413.8
Dec	422.4	422.5	422.8	418.5
Feb	427.9	427.9	425.0	424.0
Apr	433.1	433.0	430.0	430.0

PLATINUM 50 troy oz; $/troy oz.				
	Close	Previous	High/Low	
Mar	499.4	500.0	0	0
Apr	502.2	502.8	503.4	496.7
Jul	508.2	508.6	509.5	503.0
Oct	514.0	514.8	513.0	510.0
Jan	520.5	521.3	518.0	517.0
Apr	527.1	527.9	0	0

SILVER 5,000 troy oz; cents/troy oz.				
	Close	Previous	High/Low	
Mar	505.9	504.2	507.5	502.0
Apr	507.8	506.3	0	0
May	511.8	510.3	513.5	506.5
Jul	520.1	518.5	521.5	517.0
Sep	528.5	526.9	530.0	525.5
Dec	540.4	538.7	542.0	537.0
Jan	544.0	542.3	0	0
Mar	552.4	550.7	551.0	548.5
May	560.7	559.0	560.5	560.5
Jul	569.2	567.5	568.5	568.5

INDICES

REUTERS (Base: September 18 1931 = 100)			
Mar 13	Mar 12	mnth ago	yr ago
1914.4	1927.8	1766.6	2007.3

DOW JONES (Base: Dec. 31 1974 = 100)				
	Mar 12	Mar 9	mnth ago	yr ago
Spot	133.10	133.23	128.46	136.43
Futures	133.96	134.33	130.30	141.67

HIGH GRADE COPPER 25,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Mar	119.00	121.30	121.70	118.60
Apr	115.15	117.05	115.15	115.15
May	112.70	114.95	115.60	112.20
Jun	110.30	112.45	112.80	110.25
Jul	108.80	110.85	111.30	108.00
Aug	107.00	108.85	0	0
Sep	105.20	106.85	107.00	104.50
Oct	104.00	105.65	0	0
Nov	102.85	104.45	0	0
Dec	101.80	103.35	103.50	101.70

CRUDE OIL (Light) 42,000 US galls $/barrel				
	Latest	Previous	High/Low	
Apr	20.47	20.24	20.55	20.31
May	20.62	20.40	20.71	20.46
Jun	20.68	20.49	20.76	20.53
Jul	20.65	20.46	20.72	20.50
Aug	20.54	20.38	20.62	20.44
Sep	20.49	20.31	20.56	20.38
Nov	20.45	20.23	20.45	20.34
Dec	20.41	20.21	20.41	20.25

HEATING OIL 42,000 US galls, cents/US galls				
	Latest	Previous	High/Low	
Apr	5415	5363	5440	5330
May	5260	5236	5300	5225
Jun	5230	5195	5260	5180
Aug	5330	5275	5345	5280
Sep	5450	5390	5480	5410
Nov	5595	5590	5595	5560
Dec	5700	5605	5700	5660
Jan	5740	5635	5740	5690

COCOA 10 tonnes;$/tonnes				
	Close	Previous	High/Low	
Mar	1113	1082	1125	1104
May	1095	1058	1102	1082
Jul	1103	1068	1107	1094
Sep	1117	1080	1120	1105
Dec	1140	1110	1144	1132
Mar	1156	1123	1157	1148
May	1178	1140	1173	1170
Jul	1192	1150	0	0

COFFEE "C" 37,500lbs; cents/lbs				
	Close	Previous	High/Low	
Mar	96.25	93.25	97.50	95.00
May	97.86	94.87	98.50	95.50
Jul	99.33	96.69	99.90	97.00
Sep	100.60	198.40	101.50	98.25
Dec	102.50	100.08	103.25	100.25
Mar	104.35	102.00	105.00	104.50
May	106.23	103.80	106.50	106.50
Jul	108.05	105.88	108.00	107.00

SUGAR WORLD "11" 112,000 lbs; cents/lbs				
	Close	Previous	High/Low	
May	15.73	15.57	15.76	15.32
Jul	15.44	15.38	15.53	15.38
Oct	14.83	14.81	14.93	14.80
Mar	13.84	13.88	13.97	13.83
May	13.74	13.77	13.74	13.74
Jul	13.70	13.73	13.80	13.70

COTTON 50,000; cents/lbs				
	Close	Previous	High/Low	
May	72.03	71.30	72.06	71.00
Jul	72.34	71.75	72.38	71.40
Oct	66.80	66.50	66.80	66.42
Dec	65.50	65.33	65.55	65.02
Mar	66.22	66.00	66.50	66.05
May	66.70	66.55	66.53	66.63
Jul	66.62	66.95	0	0

ORANGE JUICE 15,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Mar	190.60	189.10	191.80	188.10
May	190.65	188.80	191.40	188.70
Jul	188.45	186.90	188.50	185.50
Sep	184.50	182.80	184.75	182.00
Nov	177.00	176.40	177.00	175.80
Jan	171.25	171.00	171.75	171.25

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel				
	Close	Previous	High/Low	
Mar	578/4	582/6	584/2	578/0
May	590/0	596/0	597/2	589/4
Jul	603/0	608/2	610/2	602/4
Aug	606/6	612/6	614/0	606/4
Sep	606/6	612/4	614/0	608/4
Nov	612/4	619/0	619/6	612/2
Jan	622/6	629/4	629/4	622/4
Mar	633/4	639/4	639/0	633/0

SOYABEAN OIL 60,000 lbs; cents/lb				
	Close	Previous	High/Low	
Mar	21.91	22.52	22.22	21.85
May	22.07	22.38	22.36	22.00
Jul	22.10	22.34	22.35	22.02
Aug	21.91	22.13	22.15	21.88
Sep	21.62	21.90	21.90	21.60
Oct	21.30	21.60	21.62	21.30
Dec	21.20	21.42	21.45	21.15
Jan	21.11	21.27	21.35	21.10

SOYABEAN MEAL 100 tons; $/ton				
	Close	Previous	High/Low	
Mar	165.1	165.4	165.7	164.5
May	169.7	170.1	170.6	169.4
Jul	174.3	175.0	175.5	174.2
Aug	176.5	177.2	177.5	176.4
Sep	178.5	179.3	179.5	178.4
Oct	180.0	180.9	181.2	180.0
Dec	183.7	184.8	185.0	183.6
Jan	185.4	186.7	186.0	185.0

MAIZE 5,000 bu min; cents/56lb bushel				
	Close	Previous	High/Low	
Mar	243/6	247/0	246/4	243/4
May	251/4	253/6	254/0	251/2
Jul	256/4	258/4	259/0	256/0
Sep	255/6	256/6	258/2	255/2
Dec	256/0	257/2	258/2	255/4
Mar	261/4	262/6	263/2	260/6
May	264/0	265/0	265/6	264/0

WHEAT 5,000 bu min; cents/60lb-bushel				
	Close	Previous	High/Low	
Mar	381/0	383/4	384/4	380/0
May	348/6	352/6	353/0	348/0
Jul	337/2	339/4	339/6	336/6
Sep	344/2	346/4	346/4	344/0
Dec	358/2	358/4	359/4	356/2
Mar	365/4	366/4	365/4	364/0

LIVE CATTLE 40,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Apr	78.12	78.02	78.20	77.85
Jun	72.82	72.72	73.15	72.65
Aug	72.87	72.27	73.05	72.25
Oct	74.35	73.75	74.47	73.75
Dec	74.72	74.10	74.75	74.07
Feb	74.85	74.25	74.90	74.20
Apr	74.75	0	74.75	74.15

LIVE HOGS 30,000 lb; cents/lbs				
	Close	Previous	High/Low	
Apr	52.82	52.92	53.30	52.45
Jun	56.57	56.95	56.92	56.40
Jul	55.82	56.42	56.35	55.80
Aug	53.55	53.95	54.00	53.50
Oct	47.85	48.17	48.25	47.82
Dec	48.35	48.65	48.55	48.30
Feb	47.95	48.08	48.05	47.70
Apr	45.90	45.95	0	45.90

PORK BELLIES 40,000 lbs; cents/lb				
	Close	Previous	High/Low	
Mar	52.45	52.95	53.95	52.35
May	52.65	53.82	54.90	52.40
Jul	53.07	54.10	55.20	52.90
Aug	51.40	52.55	53.55	51.30
Feb	56.20	57.57	58.00	56.20
Mar	57.60	58.15	57.80	57.40

LONDON STOCK EXCHANGE

London firm despite uncertainties

THE LONDON stock market maintained its cruising levels yesterday despite uncertainties hanging over sterling and the UK political scene, both of which continued to upset UK Government bonds more than equities. Dismal news of a £5.09bn UK trade deficit on current account in the final quarter of last year – incorporating the first recorded deficit on the invisibles account – depressed equities at mid-session, but the final picture was relatively robust.

The flow of favourable corporate news from leading companies continued to help the stock market. ICI advanced after disclosing in Paris that it would not move at present to buy in the 10 per cent of its stock for which it is seeking shareholder agreement, and the Footsie Index was also bolstered by a sharp rise in BOC on plans to float off its healthcare operations. Bad news came from Logica, the software house, which tumbled after disappointing analysts with poor profits.

The broader factor behind the equity market's resilience this week lies, according to Mr John Reynolds of County NatWest, in the dividend yield of around 5 per cent now available on equities which, together with the projected rise to the FT-SE 2,600 area by the year-end from several leading securities houses, "offers long term opportunities to the institutions."

On the interest rate front, the stock market remains convinced that the UK Government will avoid raising domestic interest rates again at almost all costs – "and certainly not ahead of next week's Budget," as one analyst stressed.

The FT-SE Index, down 9 points initially, rallied during the session to close with a net gain of 1.7 at 2,224.5. Turnover remained thin, with Seaq volume at 317.6m shares compared with 223.4m in the previous session.

But the attempts on Monday to place very large lines of stock continued to reverberate; a large block of GEC stock was believed to be seeking a new home yesterday but was apparently left on the shelf, for the time being at least. No further attempts were made to move the 19m block of Burton shares which failed to trade on Monday and overhangs the sector.

As the end of the first quarter approaches, the Water stocks stand out as the market's best sectoral performers of 1990 thus far (see chart), as the high yield on the shares counter-balances recent weakness caused by political nervousness and by the Government's plans for curbing sewage dumping in the North Sea. Overseas trader stocks make up the worst performing sector to date but it is dominated by a handful of stocks: Lonrho, for example, has been downgraded by some London analysts since its results were announced in January.

Account Dealing Dates		
*First Dealings:		
Feb 26	Mar 12	Mar 26
Option Declarations:		
Mar 8	Mar 22	Apr 5
Last Dealings:		
Mar 9	Mar 23	Apr 6
Account Day:		
Mar 19	Apr 2	Apr 17

*New time dealings may take place from 9.00 am two business days earlier.

Welcome for BOC spinoff

The news that BOC plans to float its healthcare division cheered the market and the shares responded by advancing strongly to close 16 up at 527p. Demand for BOC was strong following the announcement, though dealers said the activity had tailed off by the afternoon. Some 2.7m shares had been traded by the close.

BOC said it is to create a separate US legal entity for the healthcare business, a move which should be completed within the next 12 months. The division made profits of £106m last year, around 22 per cent of BOC's total operating profits.

Mr Andrew Benson at Flemings Research thought the move would make the company focus on its industrial gases business. "BOC's industrial gases business has an excellent profit history and is a mighty cash generator easily capable of increasing its payout ratio. A greater focus on this potential and the attractions of the purer industrial play could well drive the shares to a deserved premium rating."

Mr Alasdair Nisbet at UBS Phillips and Drew said BOC had made a good move which would provide a cash injection and provide the company with flexibility to make further acquisitions.

Standard doubts

Standard Chartered Bank shares were given a buffeting after the bank revealed that it will make a provision of $80m in its annual results scheduled for March 20.

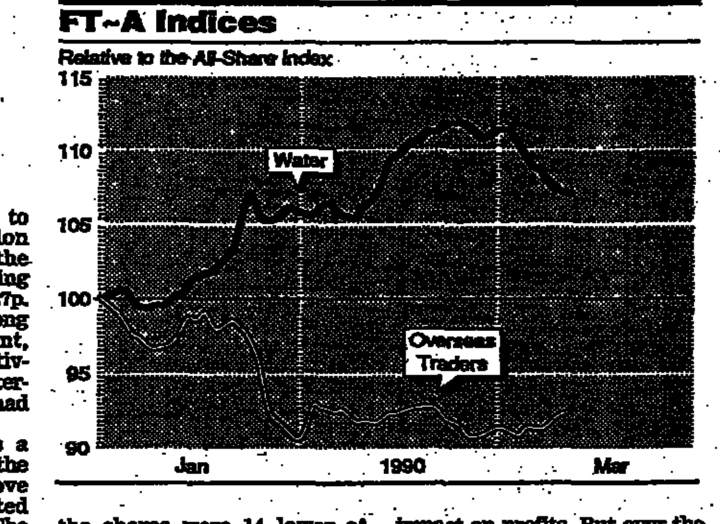
The provision, Standard said, related to a $220m loan made to Miniscribe Corp of the US. Miniscribe is a computer peripherals manufacturer which on March 1 filed for protection under Chapter 11 of the US bankruptcy legislation.

Standard Chartered shares have moved erratically this year. In January they fell when the bank issued a warning that its profits for 1989 would not match the £313m of 1988 because of bad debts in the UK, business problems in Australia and the suspension of interest payments by Brazil.

In a recent note, BZW said: "We fail to see any major attractions for a predator, neither do we think that the current management will find it easy to grow earnings per share." The securities house also argued that a recovery at Standard "is being hijacked by a deteriorating debt situation around the world." At the close the shares were 14 lower at 549p, after 548p; turnover totalled 1m shares.

FT-A Indices

Relative to the All-Share index



GEC flat

GEC were notably weak among the alpha stocks, retreating 5½ to 202½p on keen turnover of 5.1m after a downgrading by Kitcat & Aitken.

Mr Christopher Tucker, electronics analyst at Kitcat, cut his profits estimates, already at the low end of analysts' expectations, after a visit to GEC. He is now looking for profits of £850m for the current year against his previous forecast of £875m and £970m for next year, down from £995m.

"Earnings per share growth will be flat this year," he said, "but should show 12 per cent growth next year as the company sorts out the problems in the acquired Plessey businesses and starts to see rationalisation benefits."

Kitcat said it remained a long-term buyer of the stock, but there could be further weakness as other estimates are reduced. The downside was limited by GEC's attractive yield; "we expect a dividend increase of 20 per cent this year and of 15 per cent next year," said Mr Tucker.

Pilkington deal

Pilkington added 3 to 210p following news that it had received clearance from the US regulatory authorities to introduce Nippon Sheet Glass as a 20 per cent shareholder in its subsidiary, Libbey-Owens-Ford.

One analyst said that there would not be any immediate impact on profits. But over the long-term, the move could make it easier for Libbey to sell glass to Japanese car makers in the US. In addition, the connection with Nippon could help it export to Japan.

Mr Tony Williams of UBS Phillips & Drew said the deal was an excellent one, adding: "it gives Pilkington capital and reciprocity. It may get work for them and will also help to cut gearing." Turnover in Pilkington totalled 816,000 shares.

The oil majors stuttered, unsettled by concerns over Opec oil output, estimated by the Middle East Economic Survey, a magazine, to have averaged 24m barrels a day during February, against previous estimates of around 23m.

BP slipped 2 to 331p on good turnover of 8.4m; the market is expecting Mr Robert Horton, BP's new chairman, to outline further cost cutting and job losses at the group within a week as part of a programme headlined Project 1990. Shell lost 4 to 459p.

The exploration and production stocks made further strong progress, led once again by Enterprise which added 10 more to 621p, still boosted by the price paid by the Austrian state oil group OMV for its 5 per cent stake in the Beryl field. Enterprise reports preliminary figures tomorrow, as does Calor, down another 8 at 309p.

Midland Bank rose 6 to 333p on volume of 1.5m shares despite the absence of any hard news regarding the possibility of a merger with Hongkong & Shanghai Banking, which announced results yesterday.

A bear squeeze developed in merchant banks with Kleinwort Benson 6 ahead at 406p and S. G. Warburg 5 higher at 454p.

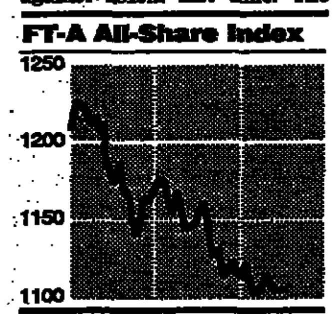
BOC's plans to demerge its healthcare operations helped ICI, 19 higher at 1101p. Analysts suggested that if ICI wanted to do something similar with its pharmaceutical division, it could raise £6bn. They added that ICI was unlikely to do this.

SmithKline Beecham firmed 10 to 530p ahead of figures today. Sentiment was helped by vague talk emanating from the US that the company would announce a prospective Aids drug at the company's next research and development update meeting early in April. Mr Ian Moore, an analyst with UBS Phillips & Drew, said: "It would be several years before such a drug reached the market."

A US press report said that a trials of rival to Wellcome's Aids treatment Retrovir had revealed unexpected toxicity. Wellcome shares rose 8 to 661p.

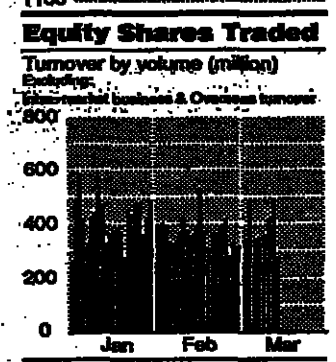
BTR gained 7 to 422p on 2.4m in anticipation of its final results, due today. Profits of £1.08-1.10bn are expected, against £819m last time. The market's appetite was whetted by a strong rise reported yesterday in the profits of its Australian subsidiary, BTR Nylex. Analysts added that the market had been underperforming recently and was due a recovery ahead of the results.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)



George Wimpey's preliminary results, showing pre-tax profits down from £144.5m to £134.7m, were at the lower end of market expectations and the shares retreated to 133p before steadying and eventually closing a net 4 off at 236p; turnover was 1.7m. Rugby Group eased 2 to 165p after some big trades, including one of 1.1m shares and three individual lines of 705,000.

A bravura performance from Mr Maurice Saatchi at the Saatchi and Saatchi annual meeting yesterday put some vim into the share price. It rose 5 at one point before closing 3 better on the day at 143p.

A. B. Ports added 4 at 579p ahead of full-year figures tomorrow. Dealers said the move was a technical recovery.

US buying helped British Airways firm late in the day to close 1¼ higher at 199p. Air traffic statistics are released today.

Plans for a rights issue, included with the company's full year results, reversed recent gains in Simon Engineering. The shares fell 14 to 341p, although the company reported a jump in 1989 profits to £38.6m, up from £32.3m the previous year.

Also reporting was Glynwed International, whose 13 per cent increase in profits to £93.8m surprised the market. The shares rose 15 to 241p.

The unplaced line of almost 19m Burton shares on offer on Monday continued to take its toll yesterday. Burton fell another 5 to 164p.

Aquascutum revealed that a group of shareholders was trying to enfranchise the "A" shares, which only confer restricted voting rights. The "A" jumped 18 at one point before slipping back to 151p, a net rise of 11. The two day rise is 33p.

Cable & Wireless performed exceptionally well, adding 10 to 529p in a belated reaction to Monday's confirmation of the sale of a 20 per cent stake in Hong Kong Telecom to Citic, the Chinese Government's investment agency, for almost £900m. C & W also revealed it is to buy a 3.4 per cent stake in Hong Kong Telecom from the Hong Kong Government, leaving the C & W shareholding in HK Telecom at 58.6 per cent.

Logica, the computer software group, caused widespread dismay in announcing interim profits of £6.02m, well down on the comparable figure of £7.44m, accompanied by a cautious statement highlighting the effect on the group of the UK economic downturn. The shares dropped 42 to 272p. Pressac advanced 10 to 86p still responding to takeover speculation.

Thorn EMI moved up 12 to 694p on speculation that Geffen Records, hotly tipped as a Thorn target, is being chased by another international group.

Trusthouse Forte slipped 3 to 249p as Smith New Court cut its profit forecast for the current year for the company from the top of the market range to the bottom. The new figure is £20m lower at £278m. Mr Peter Joseph at Smith said that the company was "cautious about the small business hotel market." He said that company representatives were either trading down or returning home after sales trips.

The water stocks, given a rough ride over the past few sessions after Government plans to curb dumping of raw sewage into the North Sea, staged a good rally, although turnover in the sector remained thin. Mr Stephen Doe, of Smith New Court said the recent selling had been "a bit overdone" and that the water issues are now "looking good value."

The Package picked up £38 to £1558, while Wessex Water moved up 5 to 170p. The biggest turnover, 1.6m shares, was in Thames Water which edged up 3 to 149p.

Candover Investments, the publicly-quoted trust specialising in buy-outs, revealed annual results which delighted the market. The total dividend payment was more than doubled and substantially higher than the official estimates given last year while profits were 40 per cent higher at £2.98m. The shares responded with a rise of 20 to 228p.

■ Other Market statistics, including the FT-Actuaries share index, Page 24

NEW HIGHS AND LOWS FOR 1989/90

NEW HIGHS (17).
AMERICANS (1) CHEMICALS (2) STORES (3) ELECTRICALS (2) ENGINEERING (1) INDUSTRIALS (1) Tech. Project Serv., MOTORS (1) PROPERTY (1) TRANSPORT (1) TRUSTS (1) OVERSEAS TRADERS (1) PLANTATIONS (1) MINES (1).
NEW LOWS (124).
BRITISH FUNDS (7) INT.BANK & O'SEAS GOVT. STLG. ISSUES (3) FOREIGN BONDS (3) AMERICANS (1) BANKS (10) BREWERS (4) BUILDINGS (8) CHEMICALS (1) STORES (6) ELECTRICALS (8) ENGINEERING (4) FOODS (3) HOTELS (2) INDUSTRIALS (14) Barlo, Dolphin Pack., Granada 7½pc. Cnv. Prf., Harding, Hawthorn Leslie, J. S. Pathology, Maxiprint, Nonks & Crane, Pilkington warrants, Porter Chadburn, Unigroup, Utd. Guarantee, Whitecroft, Widney, Williams (J.), Wills, Young (H.) LEISURE (7) MOTORS (1) PAPERS (4) PROPERTY (13) TEXTILES (3) TOBACCOS (1) TRUSTS (16) OILS (1) PLANTATIONS (1) MINES (2) THIRD MARKET (4).

FINANCIAL TIMES STOCK INDICES

TRADING VOLUME IN MAJOR STOCKS

Stock	Volume 000's	Closing price	Day's change	Stock	Volume 000's	Closing price	Day's change	Stock	Volume 000's	Closing price	Day's change	Stock	Volume 000's	Closing price	Day's change
British Airways	2,600	199	+1½	Hanson Warrants	824	67½	−½	Reckitt & Colman	76	1114	−½	Ultramar	887	365	+3
British Gas	2,400	214	+2	Harrisons Cros.	2,100	149	+4	Redland	477	545	+1	Unigate	360	262	+1
British Land	203	335		Hawker Sidd.	807	618	+8	Reed Intl.	451	390	+1	Unilever	568	658	+8
BP	8,400	331	−2	Hillsdown	763	253	+2	Reuters	730	1056	+12	United Biscuits	776	319	
British Steel	2,700	137½	−½	IMI	30	218	+1	Rolls Royce	2,100	178		Utd Newspapers	111	340	
British Telecom	2,600	272½	−½	ICI	1,200	1101	+19	Rothmans	103	671	+5	Wellcome	318	661	+8
Bunzl	107	103		Inchcape	156	201	+1	Ryl Bk Scotland	1,000	177	−2	Whitbread 'A'	303	374	+2
Burmah Oil	386	599	−7	Kingfisher	438	280	−2	Royal Insurance	434	465	−5	Williams Hldgs	1,000	258	+3
Burton	2,709	164	−5	Ladbroke	2,100	279		STC	1,300	257	−4	Willis Faber	515	256	−2
Cable & Wire.	782	529	+10	Land Securities	747	493	−1	Saatchi	777	143	+3	Wimpey	1,700	236	−4
Cadburys	841	319		Laporte	63	483		Sainsbury	744	256	−1				
Calor Group	261	309	−8	Legal & General	547	382	−2	Scottish & New	498	288					
Carlton Comms.	368	716	−6	Lloyds Abbey	274	305	−2	Sears	663	98	+½				
Coats Viyella	465	132		Lloyds Bank	882	282		Sedgwick	2,600	280	+2				

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 5 pm.

APPOINTMENTS

Shadow GB managing director

■ SHADOW GB has promoted Mr David Johnson from director and general manager to managing director. The company, an Era Group subsidiary, owns the Tecno and Fox Talbot camera and video stores chain.

■ ABBEY LIFE ASSURANCE CO has appointed Mr Iain Robinson as executive director - agency development and training. He was management development co-ordinator at BET.

■ Mr J.B. Waggstaff has resigned from the chairmanship and other posts at PRESSAC HOLDINGS to devote more time to other business interests. Mr Roger Boissier, deputy chairman, has been promoted to the chair. He is also a non-executive director of British Gas, Edward Lumley Holdings, Severn Trent, and T&N.

■ Mr Terry Worster has been appointed general works division managing director at MOWLEM MANAGEMENT, and Mr Doug Weston becomes London major works, western division, managing director. Both join the board. Mr Bob Arnold, a London major works, eastern division director, joins the board on May 1 to take responsibility for the central support services unit.

CONTINENTAL BANK has appointed Mr David Chandler (left) and Mr John Wood (right) as senior directors in the corporate finance division. Mr Chandler was a director of Colling, Green & Grabow. Mr Wood was a director of Mitsubishi Finance International.

■ EDWARD WOOD has appointed Mr Peter Challinor as marketing director.

■ CORNWELL PARKER has appointed Mr Jeremy Reynolds as company secretary. He was company secretary at Lombard NatWest Commercial Services, and replaces Mr Peter Bolding who remains a director until his retirement at the end of April.

■ BUTTE MINING has appointed Mr Ian Wright as a non-executive director.

■ HENRY ANSBACHER & CO has appointed Mr Dominic Crawley and Mr John Kettlewell as directors in the banking department. Mr John Cooper and Mr Julian Yorke, treasury, and Mr Marc Hoodless, personnel, have been appointed assistant directors.

■ Mr Philip Soar has been appointed UK chief executive of BLENHEIM EXHIBITIONS GROUP. He joins through the acquisition of Hastings Hilton Publishers.

■ BARTLETT LAND DEVELOPMENTS, Brentwood, has promoted Mr Jeff Gadsden from development manager to development director.

■ Mr Tony Beadle has been appointed assistant general manager, group finance, at HALIFAX BUILDING SOCIETY. He was with Standard Chartered Bank.

■ Mr Jeremy Sale has been appointed chief executive of the SCOTTISH EXHIBITION AND CONFERENCE CENTRE, Glasgow, from May 1. He is chief executive of the Exhibition Industry Federation.

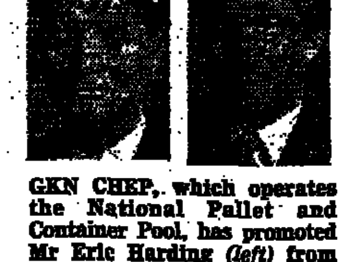
■ THE PRIVATE CAPITAL GROUP, part of the Scandinavian Bank Group, has appointed Mr Anthony Ward as group treasurer, and treasury director of subsidiary Mortgage Trust. He was group treasurer at Mortgage Funding Corp.

■ Mrs Susanna L. Todd has joined the board of PK ENGLISH TRUST in its corporate finance department. She was a director - corporate finance at Shearson Lehman Hutton International Inc.

■ JOHN CARR JOINERY SALES has promoted Mr John Fletcher from marketing manager to marketing director.

■ AMERICAN INTERNATIONAL UNDERWRITERS (UK), a subsidiary of the New York insurance group, has appointed Mr Richard Harris as vice president responsible for the development of strategic relationships with financial institutions in the UK and Europe.

■ LANCASTRIAN BUILDING SOCIETY has appointed Mr Philip Fowles as deputy general manager with responsibility for sales and marketing. He was marketing manager for Bank of Scotland subsidiary NWS Bank, and before that with the Abbey National Building Society.



GKN CHEP, which operates the National Pallet and Container Pool, has promoted Mr Eric Harding (left) from general manager - business development to director - sales and marketing; and Mr Robert Humble (right) from general manager - container pool to director - business development.

LONDON SHARE SERVICE

BRITISH FUNDS

BRITISH FUNDS—Contd

INT. BANK AND O'SEAS

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

FOREIGN BONDS & RAILS

AMERICANS

AMERICANS—Contd

CANADIANS

Continued on next page

LONDON SHARE SERVICE

BANKS, HP & LEASING

1989/90 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
*303	216	ANZ SA1	244	–6	44c	1.4	8.1	8.7
195	134	Abbey National 10p	188	–1	8.5	q3.2	6.0	6.9
*282	120½	Allied Irish Ord.	257	+5	068%	3.3	3.1	13.2
£13½	£11¼	Algemene Fl. 10	£13		Q28%	2.0	6.8	7.3
*85	61	Anglo Irish	75	.....	Q18.7%	2.7	5.9	10.2
81	57	Ansbacher (H.) 1p	76	.....	2.5	♦	4.4	♦
£72¼	£38½	Bancaire Cie Fr100	£60		Q12¼%	–	2.2	–
£46½	£35¼	Banco Bilbao Vlz.	£37¼		Q35.7%	2.0	3.6	13.9
£33	£25¼	Banco de Santander	£26½		Q25%	2.4	3.9	5.8
*286	169	Bank Ireland IrE1	257	+1	Q12.1%	3.2	4.5	8.8
£19½	£17½	Bank Leumi	£18	.....	–	–	–	–
350	320	Bank Leumi (U.K.)	345	.....	†13.5	–	5.2	–
125	88	Bank Scotland	115	.....	†3.8	3.6	4.4	8.3
111¼	91½	Do. 9¼pc Irrd Pf.	92	–½	9¼%	–	13.4	–
*67	49	Bank of Wales	52	.....	2.8	1.6	7.2	10.9
*588	404	Barclays £1	566	–3	27.4	q3.6	6.5	5.6
31	19	Benchmark 20p	19	.....	1.63	1.0	11.4	10.9
363	285	Brown Shipley £1	313	.....	†10.5	–	4.5	–
455	325	Cater Allen £1	410	.....	23.5	–	7.6	–
259	149	Chancery	152	.....	†8.0	2.8	7.0	6.7
£23¼	£14½	Commerzbk DM10	£21½		Q18%	–	3.1	–
*£29	£22¼	C'hgn. Hbk. Kr100	£25½	.....	Q15%	–	5.7	–
£16¾	£10	Dai Ichi KBk Y50	£16		Q16%	8.8	0.3	35.7
*£31¼	£15¼	Deutsche Bk DM50	£27		Q24%	–	1.5	–
£22¼	£17½	Espirito Santo	£20¼		Q75c	3.3	2.2	13.7
260	182	First Nat. Fin. 10p	216	–1	13.0	2.4	8.0	6.7

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ELECTRICALS – Contd

ENGINEERING

ENGINEERING – Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

INSURANCES

LEISURE

مكتبة الأصل

LONDON SHARE SERVICE

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MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY—Contd

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRANSPORT

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS, FINANCE, LAND—Contd

Finance, Land, etc

WATER

OIL AND GAS

OIL AND GAS—Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

MINES—Contd

Miscellaneous

THIRD MARKET

NOTES

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

IRISH

TRADITIONAL OPTIONS

3-month call rates

Industrials

Property

Oils

Mines

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £1,250 per annum for each security.

FT UNIT TRUST INFORMATION SERVICE

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AUTHORISED UNIT TRUSTS

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♦ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ♦ - 1401 to 1700 hours; ♦ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

SCHEME PARTICULARS AND REPORTS
The most recent report and scheme particulars can be obtained free of charge from fund managers. Other explanatory notes contained in last column of the FT Unit Trust Information pages.

FT UNIT TRUST INFORMATION SERVICE

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Thornton Unit Managers Ltd (1000)F
33 Cavendish Sq., London W1M 7HF 01-493 7262
Dealing 01-493 8545

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American Opps	5	52.14	53.02xd	56.54	+0.15	0.30
(Accum Units)	5	53.65	54.56xd	58.19	+0.14	0.30
European Opps	5	76.25	76.55	81.65	-0.06	0.00
(Accum Units)	5	76.67	76.97	82.10	-0.06	0.00
Far Eastern Opps	5	138.52	138.87	148.11	-0.59	0.00
(Accum Units)	5	139.41	139.76	149.06	-0.10	0.00
Golden Opps	5	44.79	44.79	47.76	-0.03	0.00
(Accum Units)	5	46.07	46.07	49.13	-0.04	0.00
Intl Hi-Yield	5	77.92	60.38	64.40	-0.21	4.27
(Accum Units)	5	65.32	65.82	70.20	-0.25	4.27
Sanyo Japan Tst	5	69.02	69.02	73.61	-0.70	0.00
(Accum Units)	5	69.02	69.02	73.61	-0.70	0.00
Kangaroo	5	31.60	31.60	33.70	-0.16	1.54
(Accum Units)	5	31.79	31.79	33.90	-0.16	1.54
Oriental Income	5	34.96	35.00	37.32	-0.12	5.02
(Accum Units)	5	39.19	39.23	41.84	-0.13	5.02
Pacific Technology	5	61.89	61.89	65.43	-0.02	0.00
(Accum Units)	5	62.39	62.39	65.96	-0.03	0.00
Tiger	5	154.44	154.44	164.72	-0.06	0.67
(Accum Units)	5	156.85	156.85	167.29	-0.06	0.67
UK Hi-Yield	5	42.59	42.59	45.42	-0.01	5.03
(Accum Units)	5	48.70	48.70	51.94	-0.01	5.03
UK Opps	5	54.09	56.68xd	60.61	-0.11	0.70
(Accum Units)	5	58.86	61.68xd	65.96	-0.11	0.70

Three Counties Asset Mngmt Ltd (1430)F
Cuthbert House, Tower Road, Washington NE37 2SH 091 415 3034

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Balanced Portfolio	6	89.95	91.53	97.38	-0.26	4.00

Touche Remnant Unit Tst Mngt Ltd (1600)F
Mermaid Hse, 2 Puddle Dock, EC4V 3AT 01-248 1250
4 Hourly Pricing – 12 Noon Historic

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
TR American Gwth	5¼	48.66	48.66xd	51.91	+0.41	0
TR Eur Sp Sits Acc	5¼	43.63	43.63	46.55	+0.14	0
TR Eur Sp Sits Inc	5¼	42.78	42.78	45.64	+0.13	0
TR Far East Opps Inc	5¼	23.75	23.75	25.00	—	—
TR Far East Opps Acc	5¼	23.75	23.75	25.00	—	—
TR General Growth	5¼	72.54	72.54	77.17	+0.39	2.06

J. Rothschild Fund Managers Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Intl Exempt	142.6	144.2	—	3.86

Stewart Ivory & Co Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Saints PPP Feb 14	258.6	272.3	—	0.30

Closed to new business

Thornton Unit Managers Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Managed Exempt Mar 1	99.85	106.14	—	3.90
(Accum Units)	100.49	106.79	—	3.90

Touche Remnant Unit Tst Mngt Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
TR Exempt European	1110	1126	—	1.60
TR Exempt Nth Amer	975	989	—	3.30
TR Exempt Pac Basin	947	959	—	0

INSURANCES

AA Friendly Society
Investment Mngt M & G Inv Mngt Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
AA Friendly Sy Mar 9	—	169.5	—	—

Abbey Life Assurance Co Ltd
80 Holdenhurst Road, Bournemouth 0202 292373

	Bid Price	Offer Price	+ or -	Yield Gross
Prop. Ser. 1	301.1	317.0	+0.1	—
Equity Ser. 1	127.7	134.5	—	—
Prop. Acc. Ser 2	464.1	488.6	—	—
Equity Ser 2	148.1	155.9	—	—
Selective Acc	339.2	357.1	+0.2	—
Prop. Ser. 4	[illegible]	[illegible]	[illegible]	—

OTHER UK UNIT TRUSTS

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

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National Financial Management Corp PLC
72 Gatehouse Rd, Aylesbury, HP19 3XJ 0296 395539

	Bid Price	Offer Price	+ or -	Yield Gross
Life Funds				
Managed Cautionary	102.0	107.4	-0.2	-
Managed Growth	140.6	148.0	-0.3	-
Managed Opportunity	144.6	152.3	-0.1	-
NFMC Target Financial	99.7	105.0	—	-
Pension Funds				
Managed Cautionary	107.0	112.7	-0.2	-
Managed Growth	144.7	152.4	-0.3	-
Managed Opportunity	147.2	155.0	-0.3	-
NFMC Target Magd Pen	1495.2	1573.9	-6.3	-

National Mutual Life
The Priory, Priory Pk, Hitchin, SG5 2DW 0462 422422

	Bid Price	Offer Price	+ or -	Yield Gross
Managed Fund	219.7	231.3	—	-
Managed Prospect Fund	184.5	194.3	—	-
Pens Managed	281.5	296.4	—	-
Pens UK Equity	328.3	345.6	—	-
Pens Overseas Equity	392.2	412.9	—	-
Pens Property	163.3	171.9	—	-
Pens Fixed Interest	170.1	179.1	—	-
Pens Index Linked	142.7	150.3	—	-
Pens Deposit	190.7	200.8	—	-
Harvester & P.R.P.				
UK Equity	143.5	151.1	—	-
Overseas Equity	140.4	147.8	—	-
Fixed Interest	116.2	122.4	—	-
Property	135.9	143.1	—	-
Index Linked	129.6	136.5	—	-
Deposit	132.3	139.3	—	-
Managed	141.9	149.4	—	-
With Profits	135.6	142.8	—	-

National Provident Institution
48 Gracechurch St, London EC3P 3HH 01-623 4200

Providence Capital Life Assc. Co Ltd — Contd.

	Bid Price	Offer Price	+ or -	Yield Gross
UK Managed Initial	113.8		-0.1	-
Property Initial	166.4		-0.2	-
Money Initial	79.1		—	-
Special Market Initial	138.3		-0.3	-
Japan Equity Initial	105.7		-1.6	-
North American Initial	85.0		+0.5	-
Pacific Initial	81.5		-0.5	-
Technology Initial	104.0		-2.5	-
Nat Resources Initial	57.9		+0.2	-
European Initial	106.0		+0.4	-
Residential Prop Init	103.8		—	-
Swiss Equities Initial	37.0		-0.4	-
Hong Kong Initial	48.8		+0.1	-
UK High Inc Eq Init	67.4		-0.1	-
Int Fixed Interest Init	46.5		+0.2	-
Int. Managed Init	56.5		—	-
HIP Managed Init	113.2		-0.1	-
HIP Managed II Initial	97.9		—	-
Broker Funds				
High Performance	76.0	80.1	+0.1	-
Towerhill Magd Fd Acc	50.4	53.1	-0.6	-
YRA Executive Fd	92.3	97.3	-0.1	-
£ Global Growth Acc	130.5	137.6	—	-
£ High Income Mong Acc	111.4	117.7	—	-
IM Balanced	56.0		+0.1	-
H.F. Speculator Fd	159.1		+2.3	-
PEP Acorn II	125.9		+0.8	-
PEP Cautionary	86.9		+0.3	-
AAFS Int. Man Fund	119.5		-0.6	-
Andrews-Green Inv Port	104.3		—	-
Individual Pension Funds				
UK Equity Acc	216.7	228.6	-0.5	-
UK Fixed Interest Acc	172.0	181.5	—	-
Intl Equities Acc	250.0	263.8	+0.5	-
UK Managed Acc	179.0	188.8	-0.2	-
Property Acc	209.0	220.5	-0.2	-

Norwich Union Asset Management Ltd

Norwich Union Life Insurance Soc

Pearl Assurance (Unit Funds) Ltd

Pioneer Mutual Insurance Co Ltd

Premium Life Assurance Co Ltd

Professional Life Assurance Co Ltd

Prolific Life & Pensions Ltd

Property Equity & Life Ass. Co

Providence Capital Life Assc. Co Ltd

Provident Life Assoc Ltd

Provident Mutual Life Assc. Assn.

Prudential Assurance Co

Prudential Holborn Life Ltd

Prudential Holborn Pensions Ltd

Prudential Pensions Limited

Regency Life Assurance Co Ltd

Reliance Mutual

Royal Heritage Life Assurance Ltd

Royal Life Insurance Ltd

Royal Liver Assurance

Save & Prosper Group

Scottish Amicable

Scottish Equitable Life Assce. Soc.

Scottish Life Investments

Scottish Mutual Assurance Society

Scottish Mutual Investments

Scottish Provident Institution

Scottish Widows' Group

Shield Assurance Ltd

Skandia Life Assurance Co Ltd

Standard Life Assurance Company

Sun Alliance Group

Sun Life of Canada (UK) Ltd

Sun Life Unit Assurance Ltd

Swiss Life (UK) PLC

TSB Life Ltd

Target Life Assurance Co Ltd

Teachers' Assurance Company Ltd

Tunbridge Wells Equitable

Sharp (Albert E) & Co

Sitals Fund Managers Limited

South Yorks Investment Management

Tattersall Investment Mngt. Ltd

UK Life Assurance Co Ltd

Towry Law & Co

Western Assurance Society

University Medical General Ltd

J. D. Ward Financial Services Ltd

Windsor Life Assur Co Ltd

Westcourt Asset Management Ltd

Zurich Life Assurance Co Ltd

OFFSHORE AND OVERSEAS

GUERNSEY (SIB RECOGNISED)

MANAGEMENT SERVICES

JERSEY (SIB RECOGNISED)

IoM (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

Royal Bank of Canada Funds

هكذا من الأصل

FT UNIT TRUST INFORMATION SERVICE

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Henderson Management SA
21-25 Allee Scheffer L-2520 Luxembourg

Lazard Fund Managers—Contd.

M & G Island Fund

Royal Trust Intl Fd Mgmt Ltd

Save & Prosper International

Yamaichi 1992 OMNI Fund SICAV

DUBLIN (**)

AIG Fund Management Ltd "MT Trusty"

OFFSHORE INSURANCES

Alliance Capital

German Selection Associates N.V.

Gertrust SA

Global Asset Management Corpn

Newport International Management

Nikko Luxembourg S.A.

Transworld Bond Trust

Tudor BVI Futures Ltd

Tyndall International (Bermuda) Ltd

SWITZERLAND (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (**)

JERSEY (**)

ISLE OF MAN (**)

LUXEMBOURG (**)

OTHER OFFSHORE FUNDS

Wardley Investment Services Ltd

Wardley S.E. Asia Fd.	$12.50	13.35	-0.12	0.82

Wells Fargo U.S. IT Fund

Xiphias International Investment Fd Ltd

Yamaichi Dynamic Mngt Co SA

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr
Charities Aid Fndtn Money Mngmt Co Ltd				
48 Pembury Road, Tonbridge TN9 2JD			0732 770114	
Calcash Deposit Fd.	14.91	—	15.77	3-Mth
The Charities Deposit Fund				
2 Fore Street, London EC2Y 5AQ			01-588 1815	
Deposit	14.90	—	15.75	3-Mth
Gartmore Money Management Ltd				
2-3 White Hart Yard, London SE1 1NX			01-236 1425	
Call Fund	14.81	11.99	15.90	6-Mth
7-day Fund	14.91	11.66	16.00	6-Mth
Special Fund	14.82	—	16.01	Mth
Dollar	7.00	5.48	7.45	3-Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
Aitken Hume Bank plc				
30 City Road, EC1Y 2AY			01-638 6070	
Treasury Acc.	13.50	10.56	14.64	Qtr
[illegible]	13.50	10.56	14.77	Mth
[illegible]	14.00	10.95	15.35	Mth
[illegible]	14.50	11.35	15.94	Mth
Allied Trust Bank Ltd				
97-101 Cannon St, London, EC4N 5AD			01-629 6802	
OMNIA £2,001+	14.50	11.35	15.94	Mth
HICA £2,001+	13.90	10.88	15.248	Mth
Bank of Ireland High Interest Cheque Acc				
36 Queen St, EC4R 1BN			01-625 7000	
2,000-9,999	13.738	10.750	14.922	Qtr
£10,000+	14.058	11.000	15.283	Qtr
Bank of Scotland				
38 Threadneedle St, EC2P 2EH			01-601 6746	
Money Mkt Cheque Acc.	13.6	10.64	14.91	Mth
Barclays Capital Advantage Account				
94 St Paul's Churchyard EC4M 8EH			01-248 9155	

Bank of Scotland Capital Account

Beneficial Bank PLC Premier Account

B & C Merchant Bank PLC Portfolio Acc

Brown Shipley & Co Ltd

Cater Allen Ltd

Charterhouse Bank Limited

Citibank Savings

Clydesdale Bank PLC

Cooperative Bank Top Tier

Coutts & Co

Dartington & Co Ltd

Edington Plc

Financial & General Bank plc

Girobank plc High Interest Cheque Acc

Greyhound Bank plc

Lloyds Bank High Interest Cheque Account

M & G/Kleinwort Benson

Midland Bank plc

NatWest Special Reserve Account

Provincial Bank PLC

Royal Bank of Scotland plc

Save & Prosper/Robert Fleming

Standard Property Investment PLC

Sterling Bank & Trust Ltd

TSB Bank plc (England & Wales)

Tyndall & Co Ltd

J. Henry Schroder Wagg & Co Ltd

Western Trust High Interest Cheque Acc

Wimbledon & South West Finance Co Ltd

UNIT TRUST NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar alone has attractions

LACK OF an attractive alternative kept the dollar very firm on the foreign exchanges yesterday. Low Japanese interest rates continued to put downward pressure on the yen, and the potential economic problems of German unity cast a shadow over the D-Mark. The Swiss franc remained out of favour, while the UK's political and economic problems depressed sterling.

Fear of central bank intervention prevented any sharp upward move by the dollar, but the market's negative view of other currencies kept the US unit firm. By the time trading closed in London there had been no sign of intervention by the Federal Reserve or European central banks, but the Bank of Japan again sold dollars in Tokyo.

There was no reaction to US economic news. A fall of 0.9 per cent in February retail sales was offset by a narrowing of the fourth quarter current account deficit to $20.57bn, from $22.91bn in the third quarter. The deficit of $105.88bn for the year 1989 was the smallest since 1984.

The dollar flirted with the Y153.00 level in Europe and closed at Y152.50, against Y152.35 on Monday. It also rose to DM1.7160 from DM1.7100; to SFr1.5275 from SFr1.5230; and to FFr5.8050 from FFr5.7825. According to the Bank of England the dollar's index advanced to 68.8 from 68.5.

Sterling continued to suffer from the political problems of the UK Government and disappointing economic news. A record current account deficit of £20.85bn last year added to the mood of depression surrounding the pound. Dealers were particularly concerned at a deficit of £713m in fourth quarter invisible earnings - on items such as banking, insurance and tourism - from a surplus of £300m in the third quarter. This was the first deficit on invisibles since figures were collected in 1955.

The pound fell 1.05 cents to $1.6005 and declined to DM2.7475 from DM2.7550; to Y244.00 from Y245.50; to SFr2.4450 from SFr2.4525; and to FFr9.2900 from FFr9.3150. On Bank of England figures sterling's index shed 0.1 to 86.2.

The D-Mark was steady around the middle of the European Monetary System, but the West German currency's decline against the dollar reflected nervousness about the inflationary implications of a generous conversion rate for the East German ostmark, if negotiations on German monetary union are successful. Mr Helmut Haussmann, West German Economics Minister, said that a commission set up between the two countries favours a one-to-one swap rate so as not to disadvantage East German savers.

The Italian lira remained at the top of the EMS, but was well within its cross rate limit against the weaker members. At the London close the D-Mark was slightly firmer against the lira, rising to L738.65 from L738.00, and also improved against the French franc, climbing to FFr3.3830 from FFr3.3815.

EXCHANGE CROSS RATES

Mar 13	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
DM	0.364	0.583	1	88.79	3.381	0.890	1.126	738.4	0.686	20.80
YEN	4.098	6.561	11.26	1000.	38.07	10.02	12.68	8316	7.725	234.2
F Fr.	1.076	1.723	2.958	262.6	10.	2.632	3.329	2184	2.029	61.52
S Fr.	0.409	0.655	1.124	99.80	3.800	1	1.265	829.9	0.771	23.37
H Fl.	0.323	0.518	0.888	78.89	3.004	0.790	1	656.0	0.609	18.48
Lira	0.493	0.789	1.354	120.3	4.579	1.205	1.524	1000.	0.929	28.17
C $	0.531	0.849	1.458	129.4	4.928	1.297	1.641	1076	1	30.32
B Fr.	1.750	2.801	4.808	426.9	16.26	4.278	5.412	3550	3.298	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

OTHER CURRENCIES (part)

Mar 13	£	$
Hong Kong	12.4960 - 12.5090	7.8100 - 7.8120
Iran	114.75*	70.25*
Korea(Sth)	1116.25 - 1134.25	696.00 - 701.40
Kuwait	0.46930 - 0.47000	0.29380 - 0.29400
Luxembourg	57.10 - 57.20	35.65 - 35.75
Malaysia	4.3355 - 4.3465	2.7110 - 2.7130
Mexico	4164.00 - 4295.00	2600.00 - 2680.00
N. Zealand	2.7300 - 2.7350	1.7060 - 1.7090
Saudi Ar.	5.9905 - 5.9960	3.7500 - 3.7510
Singapore	2.9995 - 3.0060	1.8755 - 1.8775
S. Af (Cm)	4.1855 - 4.1960	2.6200 - 2.6215
S. Af (Fn)	6.4815 - 6.5615	4.0485 - 4.0985
Taiwan	42.15 - 42.25	26.35 - 26.40
U.A.E.	5.8650 - 5.8720	3.6720 - 3.6730

*Selling rate

FINANCIAL FUTURES AND OPTIONS

POUND-$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.6005	1.5910	1.5745	1.5498	1.5085

IMM-STERLING $s per £

	Latest	High	Low	Prev.
Mar	1.6005	1.6018	1.5968	1.6086
Jun	1.5748	1.5760	1.5702	1.5820
Sep	1.5490	1.5500	1.5460	1.5576

CAC-40 FUTURES (MATIF) Stock index

	Open	Close	Change	High	Low	Open Int
March	1908.0	1930.0	+17.5	1930.0	1906.5	2,551
April	1909.0	1927.1	+13.6	1928.0	1908.5	1,705
May	1910.0	1910.0	-4.5	1910.0	1910.0	747
June	-	-	-	-	-	147

Estimated volume 4,779 Total Open Interest 5,150

BASE LENDING RATES

	%		%		%
ABN Bank	15	Co-operative Bank	*15	Nat Westminster	15
Adam & Company	15	Coutts & Co	15	Northern Bank Ltd	15
Allied Trust Bank	15	Cyprus Popular Bk	15	Norwich Gen. Trust	15
Allied Irish Bank	15	Dunbar Bank PLC	15	Nykredit Mortgage Bank	15½
● Henry Ansbacher	15	Duncan Lawrie	15	PRIVATbanken Limited	15
Associates Cap Corp	15½	Equatorial Bank plc	15	Provincial Bank PLC	16
● B & C Merchant Bank	15	Exeter Trust Ltd	15½	Roxburghe G'rantee	15½
Bank of Baroda	15	Financial & Gen. Bank	15	Royal Bk of Scotland	15
Banco Bilbao Vizcaya	15	First National Bank Plc.	16½	Royal Trust Bank	15
Bank Hapoalim	15	● Robert Fleming & Co.	15	● Smith & Williamson Secs.	15
Bank Credit & Comm	15	Robert Fraser & Ptnrs.	15½	Standard Chartered	15
Bank of Cyprus	15	Girobank	15	TSB	15
Bank of Ireland	15	● Guinness Mahon	15	● United Bk of Kuwait	15
Bank of India	15	HFC Bank plc	15	United Mizrahi Bank	15
Bank of Scotland	15	● Hambros Bank	15	Unity Trust Bank Plc	15
Banque Belge Ltd	15	Hampshire Trust Plc	15½	Western Trust	15
Barclays Bank	15	Heritable & Gen Inv Bnk.	15	Westpac Bank Corp.	15
Benchmark Bank PLC	15	● Hill Samuel	§15	Whiteaway Laidlaw	15
Brit. Bk of Mid East	15	C. Hoare & Co.	15	Yorkshire Bank	15
● Brown Shipley	15	Hongkong & Shangh	15		
CL Bank Nederland	15	● Leopold Joseph & Sons	15		
● Charterhouse Bank	15	Lloyds Bank	15		
Citibank NA	15	Meghraj Bank Ltd	15		
City Merchants Bank	15	McDonnell Douglas Bnk.	15		
Clydesdale Bank	15	Midland Bank	15		
Comm. Bk N. East	15	Mount Banking	15		
		Nat Bk. of Kuwait	15		

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GRANVILLE

SPONSORED SECURITIES

High	Low	Company	Price	Change	Gross div (p)	Yield %	P/E
343	295	Ass. Brit. Ind. Ordinary	337	-1	10.3	3.1	9.1
38	19	Armitage and Rhodes	21	0	-	-	-
210	149	Bardon Group (SE)	176	0	4.3	2.4	17.1
125	102	Bardon Group Cv Pref (SE)	111	0	6.7	6.0	-
123	74	Bray Technologies	78	0	5.9	7.6	6.9
110	90	Bremhill Conv. Pref	90	0	11.0	12.2	-
315	285	CCL Group Ordinary	314	0	14.7	4.7	3.9
176	165	CCL Group 11% Conv.Pref	169	-1	14.7	8.7	-
225	140	Carbo Plc (SE)	210	0	7.6	3.6	12.4
110	109	Carbo 7.5% Pref (SE)	110	0	10.3	9.4	-
8	0	*Magnet Gp Non-VotingA Cnv	0.1	0	-	-	-
5	0	*Magnet Gp Non-VotingB Cnv	0.1	0	-	-	-
130	93	Isis Group	93	0	8.0	8.6	5.3
145	58	Jackson Group (SE)	108	+1	3.6	3.3	12.6
322	253	Multihouse NV (AmstSE)	256	0	-	-	-
158	98	Robert Jenkins	136	0	10.0	7.4	4.9
467	360	Scruttons	360	0	18.7	5.2	9.6
300	270	Torday & Carlisle	300sus	0	9.3	3.1	10.5
117	100	Torday & Carlisle Cnv Pref	104sus	0	10.7	10.3	-
160	106	Unistrut Europe Conv Pref	155	0	9.3	6.0	-
395	300	Veterinary Drug Co. PLC	300	0	22.0	7.3	9.4
370	278	W.S Yeates	278	-2	16.2	5.8	23.2

Securities designated (SE) and (USM) are dealt in subject to the rules and regulations of The ISE. Other securities listed above are dealt in subject to the rules of TSA
These securities are dealt in strictly on a matched bargain basis. Neither Granville & Co. Limited nor Granville Davies Limited are market makers in these securities
* These securities are dealt on a restricted basis. Further details available

JOTTER PAD

MONEY MARKETS

London rates steady

INTEREST RATES were little changed on the London money market yesterday. Three-month interbank was unchanged at 15$\frac{7}{16}$-15$\frac{5}{16}$ per cent, and one-year money was steady at 15$\frac{13}{16}$-15$\frac{11}{16}$.

Rates eased slightly in early trading, but became firmer on news that the UK fourth quarter current account deficit narrowed less than expected to £5.09bn, from £6.31bn in the third quarter.

UK clearing bank base lending rate 15 per cent from October 5

The market had hoped for an improvement to around £4bn.

On Liffe short sterling futures opened firmer at 84.72 for June delivery, but lost ground on the disappointing current account figures and as the pound weakened, falling to a low of 84.59, before closing at 84.65, against 84.69 on Monday.

The Bank of England initially forecast a day-to-day credit shortage of £550m, but revised this to £500m at noon and to £600m in the afternoon. Total help of £577m was given.

Before lunch the authorities bought £301m bank bills in band 2 at 14⅞ per cent. In the afternoon another £191m bank bills were purchased in band 2 at 14⅞ per cent. Late help of £85m was provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £392m, with Exchequer transactions absorbing £250m. These factors outweighed a fall in the note circulation adding £60m to liquidity and bank balances above target of £40m.

In Frankfurt call money was unchanged at 7.95 per cent, and touched the 8 per cent Lombard emergency financing rate in places. Trading was nervous ahead of elections in East Germany and the allocation of funds by the Bundesbank at this week's securities repurchase agreement tender. The central bank offered a two-tranche tender for 35-day and 63-day funds at variable bid rates. This replaces DM20.3bn leaving the market, as two earlier pacts expire.

Dealers hope the central bank will provide extra liquidity, to offset tax payments, and other factors including payment for a West German Federal Railway floating rate note. As credit conditions tightened banks' reserve holdings have fallen. The average for the first 11 days of March was DM62.5bn, against an average of DM63.2bn for the first eight days. The Bundesbank is expected to set an average requirement of around DM59bn for the whole month.

FT LONDON INTERBANK FIXING

(11.00 a.m. Mar.13) 3 months US dollars		6 months US Dollars	
bid 8$\frac{3}{8}$	offer 8$\frac{1}{2}$	bid 8$\frac{7}{16}$	offer 8$\frac{9}{16}$

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

		Treasury Bills and Bonds			
Prime rate	10	One month	8.01	Three year	8.73
Broker loan rate	9¾	Two month	8.04	Four year	8.77
Fed.funds	8¼	Three month	8.26	Five year	8.72
Fed.funds at intervention	-	Six month	8.33	Seven year	8.74
		One year	8.47	10-year	8.68
		Two year	8.74	30-year	8.65

Mar.13	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	7.90-8.00	8.10-8.25	8.15-8.30	8.30-8.45	8.70-8.85	8.00
Paris	10$\frac{5}{16}$-10$\frac{3}{16}$	10⅝-10½	-	10¾-10⅝	-	10.00
Zurich	8⅝-8⅜	8¾-9⅛	-	9-9¼	-	-
Amsterdam	8.10-8.20	8.65-8.75	-	8.82-8.90	-	-
Tokyo	6$\frac{9}{16}$-6$\frac{11}{16}$	7¼-7⅜	-	7$\frac{11}{16}$-7$\frac{13}{16}$	-	-
Milan	12¾-13¼	13-13¼	-	13¼-13½	-	-
Brussels	8.10	10$\frac{3}{16}$-10$\frac{1}{16}$	-	10⅝-10½	-	-
Dublin	11-11¼	11$\frac{11}{16}$-11$\frac{13}{16}$	12$\frac{5}{16}$-12$\frac{3}{16}$	12¾-12⅝	12⅞-13	-

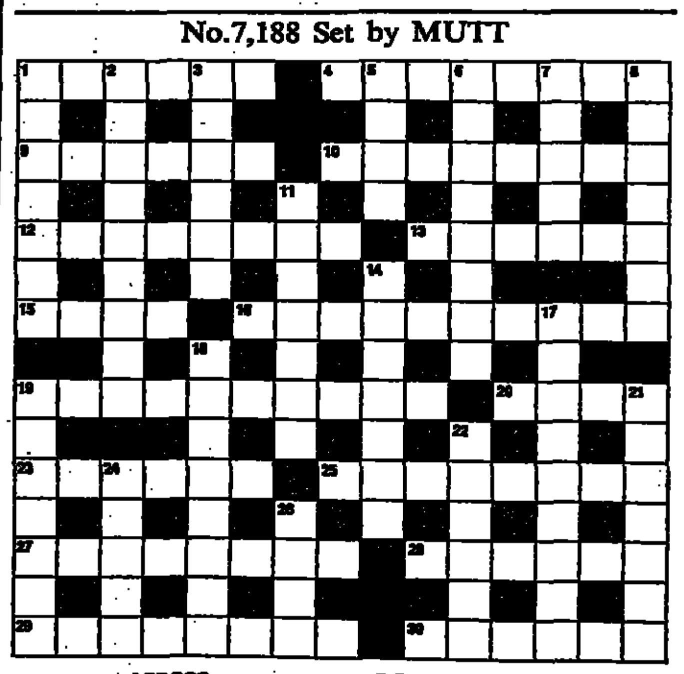
LONDON MONEY RATES

Mar 13	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	14⅞	14$\frac{13}{16}$	15⅛	15$\frac{7}{16}$	15⅝	15$\frac{13}{16}$
Interbank Bid	12	14$\frac{11}{16}$	15$\frac{1}{16}$	15$\frac{5}{16}$	15½	15¾
Sterling CDs	-	-	15⅛	15⅜	15$\frac{9}{16}$	15$\frac{11}{16}$
Local Authority Deps.	14¾	14⅞	15	15¼	15$\frac{7}{16}$	15½
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps.	14¾	14$\frac{13}{16}$	14$\frac{15}{16}$	14⅝	-	-
Company Deposits	-	-	15$\frac{3}{16}$	15$\frac{7}{16}$	15½	15⅝
Finance House Deposits	-	-	15¼	15$\frac{7}{16}$	15½	15$\frac{11}{16}$
Treasury Bills (Buy)	-	-	14⅞	14$\frac{13}{16}$	-	-
Bank Bills (Buy)	-	-	14$\frac{13}{16}$	14$\frac{15}{16}$	14⅞	-
Fine Trade Bills (Buy)	-	-	15$\frac{5}{16}$	15⅜	15⅜	-
Dollar CDs.	-	-	8.38	8.45	8.58	8.90
SDR Linked Dep. Offer	-	-	9⅛	9¼	9⅜	9⅝
SDR Linked Dep. Bid	-	-	8$\frac{15}{16}$	9⅛	9¼	9½
ECU Linked Dep. Offer	-	-	10⅝	11	11$\frac{3}{16}$	11¼
ECU Linked Dep. Bid	-	-	10½	10⅞	11$\frac{1}{16}$	11⅛

Treasury Bills (sell); one-month 14$\frac{11}{16}$ per cent; three months 14$\frac{11}{16}$ per cent; Bank Bills (sell): one-month 14$\frac{13}{16}$ per cent; three months 14$\frac{11}{16}$ per cent; Treasury Bills; Average tender rate of discount 14.5884 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day February 28 1990. Agreed rates for period March 26 1990 to April 24, 1990, Scheme I: 15.87 p.c., Schemes II & III: 16.41 p.c. Reference rate for period Feb.1,1990 to February 28, 1990, Scheme IV&V: 15.141 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 15½ from March 1, 1990: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 11½ per cent; one-three months 13 per cent; three-six months 13 per cent; six-nine months 13 per cent; nine-twelve months 13 per cent; Under £100,000 11½ per cent from Oct 9,1989. Deposits withdrawn for cash 5 per cent.

CROSSWORD

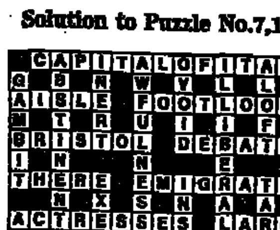
No.7,188 Set by MUTT



ACROSS
1 Globe at odds with this place (6)
4 Debtor has made off without having opened out (8)
9 Joy pal derived from old car (6)
10 Spinner back at one, on draught (8)
12 Man turns in – nude, shivering and hungry (8)
13 Cadge a cake? (6)
15 Whinnies heard by the river (4)
16 Boss toting female swan round America? Terrific! (10)
19 Like a tree close to a tree that reflects in bedroom (10)
20 Objections about the cigarette end? (4)
23 Relate to sailor returning from the dance (6)
25 Eve, prior to becoming too mature (8)
27 Awful trash about slate on an Egyptian head? (8)
28 We have some unruly boys about in rough clothes (6)
29 A flower; after girl's misfortune (8)
30 Lifted, and said to be highly valued (6)

DOWN
1 Large upstanding woman takes vase for a short stay (7)
2 Hot little man has nap, noon to six (4-6)
3 Salesman to scrap account (6)
5 Low pound upset weaver (4)
6 Covering up river in part of London (8)
7 It's a rule to check about key (5)
8 Garden's in a mess – got some trouble-spots (7)
11 Exploded, and took a holiday (4,3)
14 Rubber-stamp a double page and turn over (7)
17 As non-participants they may look in? (9)
18 Painful sounds sadden us (8)
19 Night flier caught in the act argued (7)
21 Given divine favour to drip blood all round the ship (7)
22 String-puller, perhaps, one with magnetism (6)
24 Birds' hijinks? (5)
26 Cut off from the mainland (4)

Solution to Puzzle No.7,187



WORLD STOCK MARKETS

AUSTRIA — March 13 — Sch — + or −

[illegible]

BELGIUM/LUXEMBOURG — March 13 — Frs. — + or −

[illegible]

DENMARK — March 13 — Kr — + or −

[illegible]

FINLAND — March 13 — Mkk — + or −

[illegible]

FRANCE — March 13 — Frs. — + or −

[illegible]

FRANCE (continued) — March 13 — Frs. — + or −

[illegible]

GERMANY — March 13 — Dm. — + or −

[illegible]

GERMANY (continued) — March 13 — Dm. — + or −

[illegible]

ITALY — March 13 — Lira — + or −

[illegible]

ITALY (continued) — March 13 — Lira — + or −

[illegible]

NETHERLANDS — March 13 — Fls. — + or −

[illegible]

NORWAY — March 13 — Kroner — + or −

[illegible]

SPAIN — March 13 — Pts. — + or −

[illegible]

SWEDEN — March 13 — Kronor — + or −

[illegible]

SWITZERLAND — March 13 — Frs. — + or −

[illegible]

SOUTH AFRICA — March 13 — Rand — + or −

[illegible]

JAPAN — March 13 — Yen — + or −

[illegible]

AUSTRALIA — March 13 — Aust.$ — + or −

[illegible]

AUSTRALIA (continued) — March 13 — Aust.$ — + or −

[illegible]

HONG KONG — March 13 — H.K.$ — + or −

[illegible]

MALAYSIA — March 13 — MYR — + or −

[illegible]

SINGAPORE — March 13 — S$ — + or −

[illegible]

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. [illegible]

CANADA

TORONTO

2pm prices March 13

Quotations in cents unless marked $

Sales — Stock — High — Low — Close — Chng

[illegible]

Sales	Stock	High	Low	Close	Chng
1100	Cara	$18⅛	18⅛	18⅛ + ⅛	
1000	Carena	$23	23	23	
800	Celanese	$28¾	28⅝	28⅝ − ⅛	
36080	CanCap A	$9⅜	9¼	9¼ − ⅛	
1700	CentFd A	$6½	6⅜	6⅜ − ⅛	
300	C Gear Trs	$9⅜	9¼	9⅜ + ⅛	
18000	Charan	25	23	25 + 2	
500	Chieftain	$24¼	24⅛	24⅛ + ⅛	
2100	CHUM B f	$21⅞	21⅞	21⅞	
5800	Cineplex	$7⅝	7½	7½ − ⅛	
70395	Hemlo	$15⅝	15½	15½ − ⅛	
64800	Horsham f	$10⅝	10⅝	10⅝	
500	H Baylkin s	$7⅝	7½	7½ − ⅛	
14645	H Bay Co	$30⅞	30⅝	30⅝	
123775	Imasco L	$36	35¾	36 + ⅛	
28280	Imp Oil A	$61½	60¾	61⅛ − ⅜	
113400	Inco	$30⅞	30⅝	30⅝ − ⅛	
8200	Innopac	$7½	7½	7½	
51888	Inter City	$23⅝	23⅝	23⅝	
5083	Interhome	$47¼	46⅞	47⅛ + ⅛	
2937	Pegasus	$13⅞	13⅝	13⅝ − ⅛	
100	P.Jewl A f	$13¼	13¼	13¼	
7087	Pioneer M	25	25	25 + 1	
164503	Placer Dm	$21	20¾	20⅞ − ⅛	
2900	Poco Pet	$7⅞	7⅞	7⅞	
10715	Powr Cor f	$15¾	15⅝	15⅝	
149958	Provigo	$10¼	10⅛	10⅛	
400	Quebcor A	$12⅝	12⅝	12⅝ − ⅛	
230670	Ranger	$7¾	7⅝	7⅝ − ⅛	
4800	Rayrock f	$9¼	9⅛	9⅛ − ⅛	
2250	Videotrn f	$13¼	13⅛	13⅛ + ⅛	
8518	WIC B f	$12⅛	12⅛	12⅛ + ⅛	
25300	Wcoast E	$21½	21¼	21⅜ − ⅛	
21000	Westmin	$7½	7½	7½	
22550	Weston	$38¼	37⅞	37⅞ − ⅜	
500	Woodwd A	220	220	220	

f—No voting rights or restricted voting rights.

INDICES

NEW YORK

DOW JONES	Mar 12	Mar 9	Mar 8	Mar 7	1989/90 HIGH	1989/90 LOW	Since compilation HIGH	Since compilation LOW
◆Industrials	2686.71	2683.33	2696.17	2669.59	2810.15 (2/1/90)	2144.64 (3/1/89)	2810.15 (2/1/90)	41.22 (2/7/32)
Home Bonds	90.58	90.56	90.70	90.88	94.15 (2/8/89)	87.35 (23/3/89)	—	—
Transport	1144.91	1139.05	1137.27	1135.31	1532.01 (5/9/89)	959.95 (3/1/89)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	219.00	219.50	221.52	219.94	236.23 (2/1/90)	181.84 (24/2/89)	236.23 (2/1/90)	10.50 (8/4/32)

◆Day's High 2698.65 (2705.63) Low 2661.94 (2665.54)

STANDARD AND POOR'S	Mar 12	Mar 9	Mar 8	Mar 7	1989/90 HIGH	1989/90 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	338.67	337.93	340.27	336.95	359.80 (9/10/89)	275.31 (3/1/89)	359.80 (9/10/89)	4.40 (1/6/32)
Industrials	392.25	390.35	393.02	389.02	411.20 (2/1/90)	318.66 (3/1/89)	411.20 (2/1/90)	3.62 (21/6/32)
Financial	28.93	28.89	29.13	28.86	35.24 (9/10/89)	24.30 (3/1/89)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	186.51	186.18	187.35	185.77	199.34 (9/10/89)	154.98 (3/1/89)	199.34 (9/10/89)	4.46 (25/4/42)
Amex Mkt. Value	361.87	361.15	361.51	359.03	397.03 (10/10/89)	305.24 (3/1/89)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	436.56	436.76	436.50	432.47	485.73 (9/10/89)	378.56 (3/1/89)	485.73 (9/10/89)	54.87 (31/10/72)

	Mar 2	Feb 23	Feb 16	year ago (approx.)
Dow Industrial Div. Yield	4.08	4.26	4.14	3.70

	Mar 7	Feb 28	Feb 21	year ago (approx.)
S & P Industrial div. yield	3.09	3.13	3.16	3.16
S & P Ind. P/E ratio	14.74	14.47	14.32	13.04

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Closing price	Change on day
Rorer Gp	2,256,700	65¾	+ 2⅞
Navistar Intl	2,084,400	4⅝	—
Philip Morris	1,772,000	38	+ ⅛
Gen Motors	1,581,900	47	+ ⅜
IBM	1,512,700	107⅝	+ 1⅛
Am Express	1,447,600	28	—
Bard C R	1,445,000	13½	+ ⅛
Hilton Hotels	1,422,300	52	+ ½
USX Corp	1,166,300	35⅛	− ⅛
Am T & T	1,113,800	41⅛	+ ⅛

TRADING ACTIVITY

† Volume (Millions)	Mar 12	Mar 9	Mar 8
New York	114.790	151.728	171.142
Amex	10.278	14.127	13.440
NASDAQ	(u)	135.115	145.732
Issues Traded	1,950	1,952	1,957
Rises	751	594	986
Falls	703	887	495
Unchanged	496	471	476
New Highs	24	30	42
New Lows	29	19	19

CANADA

TORONTO	Mar 12	Mar 9	Mar 8	Mar 7	1989/90 HIGH	1989/90 LOW
Metals & Minerals	3152.64	3141.12	3156.00	3136.27	3919.2 (1/9/89)	2921.03 (23/2/90)
Composite	3740.22	3732.90	3752.0	3728.60	4037.8 (6/10/89)	3350.5 (6/1/89)
MONTREAL Portfolio	1924.62	1918.34	1931.61	1918.69	2069.68 (10/10/89)	1677.48 (3/1/89)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Mar 13	Mar 12	Mar 9	Mar 8	1989/90 HIGH	1989/90 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1560.6	1571.0	1579.2	1570.5	1781.8 (29/8/89)	1412.9 (7/4/89)
All Mining (1/1/80)	803.4	805.0	809.0	803.8	875.1 (29/8/89)	652.6 (7/4/89)
AUSTRIA						
Credit Aktien (30/12/84)	677.37	675.76	676.61	680.73	680.73 (8/3/90)	219.5 (2/1/89)
BELGIUM						
Brussels SE (1/1/80)	6003.91	6024.67	6040.50	5964.47	6805.28 (26/9/89)	5519.30 (4/1/89)
DENMARK						
Copenhagen SE (3/1/83)	(c)	376.97	377.48	375.93	380.32 (5/2/90)	275.49 (27/2/89)
FINLAND						
Unitas General (1975)	644.3	643.9	648.8	652.3	815.8 (18/4/89)	580.8 (23/11/89)
FRANCE						
CAC General (31/12/82)	515.01	515.77	520.70	509.50	561.6 (11/10/89)	417.9 (4/1/89)
CAC 40 (31/12/87)	1924.30	1912.59	1921.11	1917.99	2006.42 (4/1/90)	1525.38 (27/2/89)
GERMANY						
FAZ Aktien (31/12/58)	784.54	774.29	779.14	779.21	807.13 (5/2/90)	535.78 (27/2/89)
Commerzbank (1/12/53)	2281.9	2258.2	2269.0	2270.4	2370.8 (6/2/90)	1595.7 (27/2/89)
DAX (30/12/87)	1867.48	1846.08	1858.74	1860.92	1939.43 (5/2/90)	1271.70 (23/2/89)
HONG KONG						
Hang Seng Bank (31/7/64)	2887.62	2892.98	2912.67	2915.73	3309.64 (15/5/89)	2093.61 (5/6/89)
IRELAND						
ISEQ Overall (4/1/88)	1736.60	1728.41	1728.43	1723.93	1893.10 (22/1/90)	1360.64 (10/1/89)
ITALY						
Banca Com. Ital. (1972)	665.32	665.18	666.25	663.13	734.84 (31/8/89)	577.49 (28/2/89)
JAPAN						
Nikkei (16/5/49)	32620.57	33368.23	33993.12	33690.89	38915.87 (29/12/89)	30183.79 (5/1/89)
Tokyo SE (Topix) (4/1/68)	2457.10	2508.88	2539.89	2536.54	2884.80 (18/12/89)	2366.91 (6/1/89)
2nd Section (4/1/68)	4093.85	4145.68	4176.91	4165.88	4284.68 (9/2/90)	2774.38 (27/3/89)
MALAYSIA						
KLSE Composite (4/4/86)	596.79	600.24	606.94	603.92	622.28 (20/2/90)	357.31 (3/1/89)
NETHERLANDS						
CBS Tl.Rtn.Gen.(End 1983)	252.0	251.1	251.0	250.8	272.7 (21/9/89)	208.3 (3/1/89)
CBS All Shr (End 1983)	193.3	192.6	192.6	192.4	210.5 (8/9/89)	166.7 (1/3/89)
NORWAY						
Oslo SE (2/1/83)	835.02	834.97	838.46	837.11	838.46 (9/3/90)	467.17 (2/1/89)
PHILIPPINES						
Manila Comp (2/1/85)	1061.22	1037.70	1035.32	1037.25	1396.26 (28/11/89)	804.62 (6/2/89)
SINGAPORE						
SES All-Singapore (2/4/75)	428.31	432.80	432.76	430.35	443.34 (6/2/90)	300.07 (4/1/89)
SOUTH AFRICA						
JSE Gold (28/9/78)	2019.0§	2009.0	1919.0	1949.0	2254.0 (12/12/89)	1291.0 (15/2/89)
JSE Industrial (28/9/78)	2954.0§	2942.0	2929.0	2956.0	3211.0 (6/2/90)	1961.0 (3/1/89)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	841.56	850.65	852.70	847.77	1007.80 (1/4/89)	833.82 (26/2/90)
SPAIN						
Madrid SE (30/12/85)	272.25	273.38	273.44	271.18	328.93 (13/9/89)	248.61 (1/3/89)
SWEDEN						
Affarsvarlden Gen. (1/2/37)	1145.30	1151.40	1157.50	1158.40	1372.95 (16/8/89)	1021.96 (9/1/89)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	761.5	762.0	766.0	768.3	829.1 (6/9/89)	613.1 (3/1/89)
TAIWAN**						
Weighted Price (30/6/66)	11925.24	11817.54	11350.28	11373.32	12495.34 (10/2/90)	4873.01 (5/1/89)
THAILAND						
Bangkok SET (30/4/75)	783.46	795.91	802.40	801.32	918.67 (5/1/90)	386.73 (2/1/89)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	507.0	511.3	513.7	571.8 (4/1/90)	407.6 (13/6/89)

**Saturday Mar. 10: Taiwan Weighted Price: 11791.20 Korea Comp Ex. (c)

§ Subject to official recalculation.

δBase values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX — 1,000, JSE Gold — 255.7, JSE Industrials — 264.3 and Australia All Ordinary and Mining — 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Tuesday March 13 1990

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Kobe Steel	15.6m	744	-8	Tokyu Corp	6.5m	1,980	-70
Nippon Steel	13.8m	625	-17	NKK	5.6m	623	-16
Kyokuyo	7.4m	2,040	-10	Iseki	5.5m	1,280	+40
Chiyoda	7.4m	2,010	+30	Hitachi	4.4m	1,600	-30
Kawasaki Steel	6.6m	673	-24	Amada Washino	4.1m	1,380	-20

3pm prices March 13

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
37½	20	AAR	.48	1.7	17	25	28⅞	28¼	28¼	– ½
9¾	8½	ACM n	1.26	14.		611	9⅛	9	9	– ⅛
11⅝	10½	ACMIn	1.26	11.		447	11	10⅞	11	
9⅞	7⅞	ACM M	n1.01	13.		281	8	7⅞	7⅞	– ⅛
12⅛	11½	ACMMM				z154	11⅞	11⅝	11⅝	
11½	10	ACM Sc	1.26	12.		667	10⅞	10⅝	10⅞	+ ⅛
9⅝	8⅛	ACMSp	1.01	11.		396	9	8⅞	9	+ ⅛
27¼	13	AL Lab	.16	.7	20	115	21½	21¼	21½	+ ⅛
4⅛	3⅛	AMCA	.12e	3.7	41	10	3¼	3¼	3¼	+ ⅛
6⅛	3¼	AM Intl			11	2285	3⅞	3¼	3⅝	
23½	16⅞	AM In pf	2	12.		16	16⅞	16¼	16¼	– ⅛
107⅛	52½	AMR			9	9408	64⅛	63⅛	64½	+ 1
6⅞	3⅛	ARX				96	4	3⅞	3⅞	– ⅛
72⅛	39	ASA	3a	5.7		1111	52½	51	52⅛	+ ⅛
70⅞	50⅞	AbtLab	1.68	2.6	16	3742	64⅛	63	63½	– 1
17⅛	11¼	Abitibi g	.50			73	13⅛	13⅛	13⅛	– ⅛
13	8⅞	AcmeC	.40	4.2	11	313	9⅞	9½	9⅝	– ⅛
9⅞	7	AcmeE	.32	3.6	12	31	9	9	9	+ ⅛
38½	27	Acuson			22	310	35	34⅞	34⅞	+ ⅛
16½	12⅞	AdaEx	2.09e	13.		72	16	15⅞	16	
15⅛	7⅛	Adobe				38	13⅛	13⅛	13⅛	+ ⅛
20¼	16⅞	Adob pf	1.84	9.8		8	18⅛	18⅝	18⅞	
21⅝	19⅞	Adob pf	2.40	11.		5	21½	21½	21½	+ ⅛
10½	6⅞	AMD			6	3112	9	8⅞	8⅞	
35	28⅛	AMD pf	3	10.		7	29½	29¼	29¼	– ⅛
10⅛	5	Advest	.16	2.6	8	105	6⅛	6⅛	6⅛	+ ⅛
62½	48½	AetnLf	2.76	5.5	9	611	50⅞	48⅞	50	– ⅛
14	9⅞	AflPb	.24	2.2		690	10⅞	10⅛	10⅛	– ⅛
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 41

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
28½	19	Russell	.32	1.2	16	494	28⅛	26⅝	26⅝	−⅛
31⅝	17⅞	Ryder	.60	3.1	34	1727	19⅞	19½	19½	−⅛
29½	15¾	Rykoff	.60	3.8	13	x132	16	15⅞	16	
25⅝	18¼	Ryland	.60	3.1	8	63	19½	19	19½	+¼
14⅛	8⅛	Rymer				92	8⅞	8¼	8¼	+⅛
10⅝	8⅞	Rymr pf	1.17	13.		71	9⅛	9	9⅛	+⅛
		— S-S-S —								
41	31	SCEcp	2.56	6.7	11	3468	38½	38⅛	38⅛	−⅜
14½	8¼	SCOR U	.20	1.6	16	1	12⅛	12⅛	12⅛	−⅛
9½	7⅞	St. Ind	.17b	2.2	13	10	8	7⅞	7⅞	
35⅞	22⅞	SPX Cp	1	4.1	6	307	24⅜	24⅛	24⅜	+¼
[illegible]										

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. [illegible]

NASDAQ NATIONAL MARKET

3pm prices March 13

Stock	Div.	Sales 100s	High	Low	Last	Chng
[illegible]						

AMEX COMPOSITE PRICES

3pm prices March 13

Stock	Div.	E	Sls 100s	High	Low	Close	Chng
[illegible]							

FINANCIAL TIMES Wednesday March 14 1990

AMERICA

Dow loses grip on early gains as bonds weaken

Wall Street

EQUITIES were initially encouraged by evidence of a rebound in economic growth, but finally succumbed to weak bond prices, *writes Janet Bush in New York.*

At 2 pm, the Dow Jones Industrial Average was 14.86 lower at 2,671.85 on moderately active volume of 103m shares. On Monday, the Dow had gained 3.38 points to 2,686.71 on desultory volume of 114m shares, the slowest trading day this year.

The Dow fell about 10 points in early trading and then rebounded to stand about seven points higher before falling again towards midsession as the bond market deteriorated.

US retail sales fell 0.9 per cent last month but, taking out very weak auto sales, they rose 0.5 per cent. In addition, January's sales – excluding autos – rose 0.9 per cent compared with 0.6 per cent originally reported.

Outside the volatile cars sector, almost all categories of sales were strong, suggesting that the US consumer is willing and able to spend. Other data due this week, including industrial production, are expected to confirm the emerging picture of a rebound in economic growth in February which some analysts believe could take first quarter gross national product growth to above 2 per cent.

These conditions, coupled with frequently stated fears of an acceleration of inflation from US Federal Reserve officials, do not augur well for any further easing in monetary policy. While the combination of rebounding growth and a persistently high underlying rate of inflation is negative for the bond market, the equity market hovers between relief that the chance of recession appears to be fading and concern about inflation.

The market yesterday did both, rising on evidence of continuing growth but then falling in sympathy with the bond market, where prices were quoted as much as ¾ point lower at midsession. Falls in the bond and stock markets came in spite of a firm dollar which was quoted at Y152.65 at midsession, compared with an earlier low of Y151.95, and at DM1.7160 from a low of DM1.7065.

Computer stocks were in focus after the publication of a report from an industry trade group, which said that chip demand was up slightly in February. In spite of this, issues were mixed. Tandem Computers edged $¼ higher to $28⅛ but Digital Equipment fell $¾ to $77⅞ and National Semiconductor slipped $⅜ to $7.

Eli Lilley dropped $⅞ to $62¼. A suit was filed against the company on Monday alleging that a pregnancy drug had caused genetic mutations in new-born children.

XTRA added $¼ to $30 after the board reaffirmed its commitment to sell the company if it is re-elected at the annual meeting tomorrow.

Pathe Communications gained $⅜ to $6 on apparent optimism that it will be able to obtain financing for its planned $1.27bn acquisition of MGM-UA Communications. MGM-UA was unchanged at $17⅛.

Among blue chips, IBM slumped $⅞ to $106⅞, General Electric was down $⅛ at $61⅞, Philip Morris slipped $⅜ to $37½ but General Motors added $⅜ to $47⅞.

Canada

GOLD and oil shares were the worst hit as the market fell in sluggish morning trade in Toronto. The composite index fell 8.1 to 3,732.1 on volume of 9.2m shares.

Analysts' estimates that oil supplies are higher than previously expected and a seasonal drop in demand depressed oil prices and oil shares. Ranger slipped C$⅛ to C$7⅞, Saskatchewan Oil C$¼ to C$14⅞ and Westcoast C$¼ to C$21¼.

The fall in gold bullion prices in London depressed Canadian gold shares. Placer Dome fell C$½ to C$20⅞, Agnico-Eagle C$¾ to C$11 and Hemlo Gold C$⅛ to C$15½.

SOUTH AFRICA

THE market in Johannesburg firmed, encouraged by the continued slide of the financial rand and cautious optimism over today's Budget.

The JSE overall share index closed at a preliminary 3,253, up 21.

Brazil waits to see what a new president will do

John Barham explains the recent lull in the market

BRAZIL'S normally frantic financial markets have sunk into a state of suspended animation. Investors are holding their breath, awaiting the first shock measures from the new Government of Mr Fernando Collor de Mello, who takes over as president tomorrow.

Investors are confident that the new Government will act vigorously to stop hyperinflation. But nobody has more than a vague intimation of Mr Collor's first policies, or how effective they will be. A broker at a US investment bank said: "Everything is very confused. Nobody knows what will happen. Everyone is trying to diversify their investments to protect themselves."

The stock exchange has not benefited from the lull. Although the Sao Paulo market's Bovespa index rose 1.2 per cent yesterday by midsession to 18,881 in local currency terms, it was one-tenth less in dollar terms than on the first day of the year. A week ago, investors piled into equities, only to drop them for black market dollars and gold, which they have now shunned for the money market.

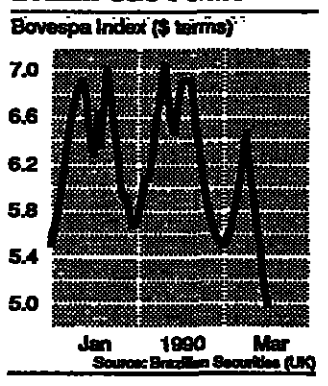
Whatever happens, brokers say, the financial markets have realised that they will have to give back part of the heavy profits that they have notched up over the past year. In 1989, the equities market almost doubled in dollar terms, a remarkable achievement bearing in mind that inflation rose 1,765 per cent.

Mr Henrique Molinari, director of RMC, a Sao Paulo brokerage, observes: "People are almost resigned to losing something. They would probably accept a loss of 10 to 15 per cent of their assets."

Mr Collor has attacked financial markets, the business elite and speculators in venomous post-election speeches. Investors have long since adopted defensive strategies to protect their assets from hyperinflation, which is expected to hit 100 per cent this month. The monied classes have stashed their capital in equities, gold,

Brazil: Sao Paulo

Bovespa Index ($ terms)



Source: Brazilian Securities (UK)

land and black market dollars, the time-honoured refuge at times of trouble. That is probably why uncertainty has not given way to panic.

As Dinheiro Vivo, a financial news agency, commented, the new president has won the first round of his struggle with the financial market even before taking office. The agency stated: "He has impressed and convinced the market."

Although he promises bitter medicine, the president has persuaded the market that he will not tamper unduly with the US$70bn in government debt which is financed on the overnight money market. That has taken the wind out of equities and other hedges.

If Mr Collor does succeed in bringing inflation crashing down, shares, gold and dollars will all become unbearably expensive. Mr Molinari says heavy buying has pushed up prices, with the most sought-after shares trading at two to three times their net asset value. He warned: "These assets have become very expensive. With a stable economy, they will have to be adjusted."

But some Cassandras warn that Mr Collor's policies will not be a panacea and predict strong demand for shares and dollars as hedges against uncertainty. If the immediate outlook is cloudy, brokers feel that the medium and long-term outlook is bright.

The American broker at the investment bank said: "There is a chance of a recession this year, which will hurt company profits. But over the medium and long term, we think the stock markets will grow."

Low, stable inflation and settlement of the US$115bn of foreign debt will feed growth and fatten balance sheets. Bankers and brokers drool over the prospect of booming foreign investments, privatisations and debt-for-equity conversions.

But there is always a chance, if not a likelihood, that Mr Collor's policies will backfire and plunge Brazil into the abyss that is swallowing Argentina. One Sao Paulo businessman said drily: "Things have got to the point where anything can happen. I'm glad I have a Swiss passport."

ASIA PACIFIC

Currency slide takes Nikkei below 33,000

Tokyo

AN AIR of pessimism swept through the market as the yen took another beating and bond prices plunged further. Year-end selling by institutional investors coupled with arbitrage activity took the Nikkei average below the 33,000 resistance level in its ninth largest loss ever, *writes Michiyo Nakamoto in Tokyo.*

The Nikkei average dropped over 350 points in the first fifteen minutes of trading yesterday and by the end of the first hour, it slipped below 33,000. It closed 747.66 down at 32,620.57, the day's low and the first time that the Nikkei had closed below 33,000 since last June.

Losers led gainers by 916 to 124 with 98 unchanged. Trading was thin at 422m shares, although above Monday's 380m. The Topix index of all listed stocks suffered a loss of 51.78 to 2,457.10 and, in London, the ISE/Nikkei 50 index fell 14.78 to 1,753.76.

Analysts blamed the market's sharp loss on general gloom, selling by investment trust funds and institutions ahead of the closing of accounts this month. Thursday is the last day of trading for investment trust funds which close accounts on the twentieth of this month.

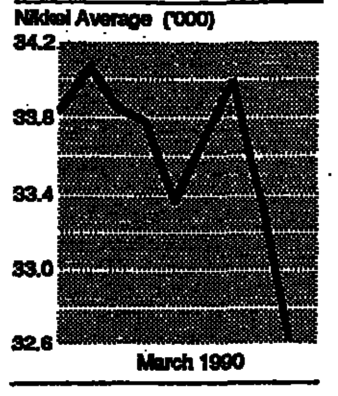
The market was also unsettled by a sharp drop in the June futures contract as a result of arbitrage selling.

Analysts said share prices would only recover on the back of a firmer yen but this seemed unlikely in the near term.

"It looks like [the yen] has entered a new trend of weakness," said Mr Fujio Katyama at CS First Boston. The market has already discounted a one per cent rise in the official discount rate but traders feared that this might not be enough to shore up the currency. There was also a growing fear that the institutions, which had held on to their stocks despite falling prices, would start to cut their losses.

Japan

Nikkei Average ('000)



Until the Bank of Japan makes a decision about interest rates, activity is likely to focus on special situations and smaller stocks.

Big steel stocks lost heavily yesterday. Kobe Steel fell Y8 to Y744 with 15.6m shares traded and Nippon Steel shed Y17 to Y625 with 13.6m shares changing hands. Kawasaki Steel lost Y24 to Y673 while NKK dropped Y16 to Y623.

Chiyoda, the plant engineering company, rose against the market on reports that it will benefit from increased orders for petrochemical plants. The stock firmed Y100 to a record high of Y2,080 but fell back to close at Y2,010, up Y30.

The OSE average in Osaka closed 661.49 points lower at 35,582.21, below the 36,000 resistance level. Turnover rose to 98.2m shares from Monday's 84.8m.

Roundup

MONDAY's pattern was repeated in the Pacific Basin yesterday, with most markets lower in response to the drop in Tokyo, but Taiwan and the Philippines on the upgrade.

AUSTRALIA suffered as Tokyo's sharp drop added to existing worries about the local economy and high interest rates. The All Ordinaries index eased 10.4 to 1,560.0 while turnover improved after the holiday in Melbourne, with 72m shares traded after 50m on Monday.

Elders IXL was the most active stock as the market awaited details of the brewing deal with Grand Metropolitan of the UK. Elders fell 3 cents to A$2.05 with 5.73m shares changing hands.

Bougainville Copper fell 5 cents to A$1.20 before news that the island of Bougainville was under rebel control.

HONG KONG saw turnover grow as the corporate results season began with results from Hongkong and Shanghai Banking, which came after the market closed. Share prices eased, but were relatively stable in the face of Tokyo's decline.

Turnover rose to HK$1.25bn, its highest level this month, compared with Monday's HK$1.1bn. The Hang Seng index lost 5.36 to 2,887.62. Hongkong Bank slipped 5 cents to HK$7.40 before announcing post-tax profits up 11 per cent.

NEW ZEALAND saw little activity before the Government's economic package on March 20 and shares drifted lower in thin trading. The Barclays index fell 3.83 to 1,779.17.

TV3 Network plunged 45 cents to 60 cents on news that it would need more funding and on reports that it had not met audience share targets. TV3 was listed late last year at NZ$2.50 a share.

MANILA advanced by 2.3 per cent in moderate trading, with individuals and institutions both active. The composite index gained 23.52 to 1,061.22, breaking through a key resistance level of 1,050; volume on the Manila and Makati exchanges was 477m shares, up from the previous day's 339m.

The newly-listed Saniwares closed at 38.50 pesos, up 2.34 pesos from its offer price but unchanged from its opening level, with about 8.5m shares traded. Ayala rose 2.50 pesos to 41 pesos on talk that it will declare a stock dividend in the second quarter.

TAIWAN was buoyed by news that the Government would allow its business people to travel to mainland China to scout for new opportunities and attend trade fairs. The weighted index rose 107.7 to 11,925.24 and turnover rose to NT$168.2bn from NT$157.26bn.

BOMBAY rose on hopes that some industries would gain tax and price control relief in the Budget, due on March 19. The stock index gained 14.14, or 2 per cent, to 688.08.

EUROPE

Political tidings improve mood in Frankfurt

THE MOOD was brighter in the Continent and volume improved in Frankfurt and Paris yesterday, although trading remained thin in most other bourses, *writes Our Markets Staff.*

FRANKFURT warmed to the increased popularity of the conservative Christian Democrats and to suggestions that East Germany may elect a coalition government this weekend. The DAX index gained 21.40, or 1.2 per cent, to 1,867.48 after a rise of 10.25 to 784.54 in the FAZ.

The flurry of joint venture agreements signed by West and East German groups at the Leipzig Spring Fair brought foreign institutional investors back to the market, and took volume up to DM7.5bn from Monday's DM4.3bn, the lowest so far this year.

Volkswagen led blue chips higher, rising DM16.50 to DM575 on plans to start assembling Polo models at a plant in East Germany. It led the individual volume charts in turnover of DM1.02bn.

The paper and engineering group, Feldmühle Nobel, emphasised its break-out from a tight trading range, rising another DM25 to DM570. There were hopes that Svenska Cellulosa's reported 5 per cent holding, together with recent buying by Merrill Lynch, would prompt some definitive action from Veba, the energy and chemical concern, which is now credited with owning 50.001 per cent of Feldmühle.

PARIS showed more life than on Monday, when volume dwindled to a very low level, and some isolated buying lifted the CAC 40 index 11.71 to 1,924.30. Turnover yesterday was estimated at less than FFr2bn, after the previous day's FFr1.25bn.

Schneider, the engineering company, picked up FFr25 to FFr924 after losing FFr11 on Monday, as investors re-evaluated its group profits forecast.

Michelin, the tyre-maker, gained FFr3.60 to FFr142.50 in the second most active trading of the day, with 273,480 shares exchanged. The possibility that the US would block its purchase of Uniroyal Goodrich was regarded as good news for the company's results.

Other active stocks included Casino, the retail company, which advanced FFr7.60, or 5.2 per cent, to FFr153.50 with 106,250 shares traded.

Scoa, the troubled West African trading company, remained suspended after Monday's news that Lonrho, the UK conglomerate, had pulled out of a planned co-operation agreement over Scoa with Paribas, the banking and investment group. Paribas, which owns 29.5 per cent of Scoa and is looking for a new partner, lost FFr6 to FFr614.

AMSTERDAM was encouraged by good 1989 results from retailer Ahold but volume remained low. Sentiment was cautious before the release of US data later this week and the East German elections at the weekend. The CBS tendency index closed 1.0 firmer at 113.2.

Ahold rose Fl 1.30 to Fl 122.80 after reporting a 34 per cent rise in 1989 profits to Fl 195m, although it expected profit growth to slow in 1990.

Nedlloyd, the transporter, was still sought by UK investors looking for stocks which will benefit from the opening up of Eastern Europe. It closed Fl 3.7 higher at Fl 101.3 with 496,904 shares traded, down from Monday's 637,821. Some local brokers felt Nedlloyd's price was now too high and said its results, due on April 20, could disappoint if restructuring costs from its West German road haulage subsidiary are written off over several years rather than in one year.

MILAN edged up, but volume was still low at the end of the March trading account. The Comit index firmed 0.14 to 665.32. The market is expected to rise in the new account, largely because of the absence of big rights issues as well as expectations of good results once the corporate reporting season gets under way.

Trading in Mediobanca was active after sharply higher six-month profits. The stock closed L155 higher at L18,005. Fiat rose L79 to L10,278 on the back of the launch of its Tempra model and continued speculation of a link-up with the French car company, Peugeot.

ZURICH slumbered in low volume, the Crédit Suisse index easing 0.6 to 604.3. Alusuisse fell SFr15 to SFr1,260 after it predicted lower 1990 group net profits.

Chemicals failed to respond to an industry report which said that the sector boosted its sales last year by 10.5 per cent.

MADRID slipped in higher volume than of late, with the general index down 1.13 at 272.25. The market was waiting for the February inflation figures, due today.

BRUSSELS closed mixed in lacklustre trade. The cash index shed early gains to finish 20.76 down at 6,003.91. Chemical group Solvay & Cie, which fell BFr100 to BFr13,400, announced after the close that it wanted East Germany to return plants worth several billion francs which were confiscated by the Nazis in 1939.

OSLO was pushed slightly higher to a record close by continued strong interest in shipping stock. The all-share index rose 2.82 to 638.54 in moderate trading worth NKr409.2m.

STOCKHOLM closed lower in a dull session, with the Affärsvärlden index down 6.1 at 1,145.3.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY MARCH 12 1990						FRIDAY MARCH 9 1990			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1989/90 High	1989/90 Low	Year ago (approx)
Australia (84)	138.80	−0.8	127.74	121.77	−0.6	5.50	139.90	128.15	122.55	160.41	128.28	138.18
Austria (19)	272.20	−1.7	250.50	241.25	−1.5	1.10	276.84	253.59	244.90	276.84	92.84	102.84
Belgium (61)	142.13	−0.6	130.80	124.61	−0.3	4.48	143.01	131.00	125.02	160.02	125.58	131.10
Canada (120)	143.17	+0.3	131.76	122.23	+0.2	3.30	142.80	130.81	121.96	154.17	124.67	135.12
Denmark (36)	256.61	−0.4	236.16	228.26	−0.1	1.41	257.64	236.01	228.38	260.82	165.35	166.64
Finland (26)	144.24	−1.0	132.74	121.92	−0.7	2.40	145.74	133.50	122.80	159.16	118.63	143.37
France (125)	148.31	−0.8	136.49	134.52	−0.5	2.80	149.55	136.99	135.18	157.97	112.57	114.14
West Germany (96)	127.18	−1.0	117.04	113.06	−0.7	1.88	128.50	117.71	113.84	137.01	79.56	83.59
Hong Kong (48)	118.96	−0.5	109.48	119.33	−0.5	4.91	119.58	109.54	119.93	140.33	86.41	127.03
Ireland (17)	181.90	−0.3	167.40	164.93	+0.3	2.55	182.51	167.18	164.43	198.57	125.00	141.56
Italy (96)	93.69	−0.6	86.23	88.31	−0.3	2.60	94.24	86.32	88.59	102.11	74.97	78.16
Japan (455)	157.32	−1.9	144.78	151.51	−1.2	0.54	160.41	146.94	153.41	200.11	157.32	186.02
Malaysia (36)	237.92	−0.6	218.96	246.05	−0.5	2.15	239.31	219.21	249.22	245.32	143.35	155.86
Mexico (13)	402.83	−0.5	370.72	1162.76	−0.5	0.45	404.93	370.93	1168.80	409.41	153.32	166.23
Netherland (43)	135.27	−0.3	124.48	116.85	+0.0	4.66	135.72	124.33	116.87	145.88	110.63	115.43
New Zealand (18)	63.96	−0.9	58.86	57.64	−0.9	6.03	64.53	59.11	58.17	88.18	61.96	71.06
Norway (24)	244.10	−0.4	224.64	218.50	−0.1	1.54	244.98	224.41	218.79	245.66	139.92	168.77
Singapore (26)	195.77	+0.0	180.17	168.98	+0.1	1.72	195.72	179.28	168.79	199.38	124.57	144.06
South Africa (60)	199.89	+1.5	183.95	166.05	+2.3	3.48	196.86	180.33	164.24	251.39	115.35	138.59
Spain (43)	147.06	−1.0	135.34	122.44	−0.4	4.29	148.60	136.12	122.99	169.75	143.14	146.95
Sweden (35)	177.81	−0.6	163.63	162.48	−0.5	2.39	178.88	163.86	163.26	206.95	138.45	155.35
Switzerland (62)	92.25	−1.4	84.90	87.10	−0.7	2.14	93.57	85.71	87.68	99.12	67.81	76.04
United Kingdom (306)	145.51	−1.0	133.91	133.91	−0.5	4.85	146.93	134.60	134.60	164.31	133.28	150.44
USA (541)	137.02	+0.2	126.10	137.02	+0.2	3.48	136.75	125.27	136.75	146.29	112.13	120.24
Europe (969)	135.84	−0.9	125.01	122.61	−0.5	3.54	137.06	125.56	123.21	146.66	112.63	118.73
Nordic (121)	190.38	−0.5	175.20	164.86	−0.3	1.86	191.36	175.29	165.32	201.89	137.95	147.09
Pacific Basin (667)	155.25	−1.8	142.88	149.10	−1.2	0.82	158.16	144.88	150.90	194.72	155.25	181.57
Euro−Pacific (1656)	147.75	−1.5	135.97	138.77	−0.9	1.84	149.98	137.39	140.08	174.18	141.66	156.45
North America (661)	137.29	+0.2	126.35	136.08	+0.2	3.47	137.02	125.51	135.81	146.66	112.79	121.03
Europe Ex. UK (663)	128.30	−0.9	118.07	115.37	−0.5	2.73	129.40	118.53	115.93	135.73	98.30	99.24
Pacific Ex. Japan (212)	129.91	−0.6	119.56	118.03	−0.5	4.86	130.74	119.76	118.67	140.05	111.93	128.23
World Ex. US (1849)	148.24	−1.4	136.43	138.83	−0.9	1.91	150.34	137.71	140.03	173.77	141.49	155.54
World Ex. UK (2084)	142.97	−0.9	131.58	138.53	−0.5	2.19	144.21	132.10	139.24	162.00	136.98	141.01
World Ex. So. Af. (2330)	142.83	−0.9	131.45	137.85	−0.5	2.42	144.11	132.01	138.59	161.84	136.67	141.86
World Ex. Japan (1935)	137.31	−0.2	126.37	131.30	−0.1	3.55	137.63	126.08	131.39	145.52	114.51	120.69
The World Index (2390)	143.16	−0.9	131.76	138.06	−0.5	2.43	144.43	132.31	138.77	162.05	136.66	141.84

Constituent change 13/3/90: Name change: English China Clays to ECC Group (UK). Latest prices were unavailable for this edition.